UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended September 30, 2022

COMMISSION FILE NUMBER 001-6351

ELI LILLY AND COMPANY

(Exact name of Registrant as specified in its charter)

Indiana	35-0470950
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

Lilly Corporate Center, Indianapolis, Indiana 46285
(Address and zip code of principal executive offices)

Registrant's telephone number, including area code (317) 276-2000

Securities registered pursuant to Section 12(b) of the Exchange Act:

Title of Each Class	Trading Symbols	Name of Each Exchange On Which Registered
Common Stock (no par value)	LLY	New York Stock Exchange
7 1/8% Notes due 2025	LLY25	New York Stock Exchange
1.625% Notes due 2026	LLY26	New York Stock Exchange
2.125% Notes due 2030	LLY30	New York Stock Exchange
0.625% Notes due 2031	LLY31	New York Stock Exchange
0.500% Notes due 2033	LLY33	New York Stock Exchange
6.77% Notes due 2036	LLY36	New York Stock Exchange
1.625% Notes due 2043	LLY43	New York Stock Exchange
1.700% Notes due 2049	LLY49A	New York Stock Exchange
1.125% Notes due 2051	LLY51	New York Stock Exchange
1.375% Notes due 2061	LLY61	New York Stock Exchange

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.
Yes ☒ No ☐

Indicate by check mark whether the Registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit such files).
Yes ☒ No ☐

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒	Accelerated filer ☐
Non-accelerated filer ☐	Smaller reporting company ☐
	Emerging growth company ☐

If an emerging growth company, indicate by check mark if the Registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes ☐ No ☒

The number of shares of common stock outstanding as of October 28, 2022:

Class	Number of Shares Outstanding
Common	950,177,900

Eli Lilly and Company

Form 10-Q
For the Quarter Ended September 30, 2022

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Forward-Looking Statements

This Quarterly Report on Form 10-Q and our other publicly available documents include forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 (Exchange Act), and are subject to the safe harbor created thereby under the Private Securities Litigation Reform Act of 1995. In particular, information appearing under "Management's Discussion and Analysis of Results of Operations and Financial Condition" includes forward-looking statements. Forward-looking statements include all statements that do not relate solely to historical or current facts, and generally can be identified by the use of words such as "may," "believe," "will," "expect," "project," "estimate," "intend," "anticipate," "plan," "continue," or similar expressions or future or conditional verbs.

Forward-looking statements inherently involve many risks and uncertainties that could cause actual results to differ materially from those expressed in forward-looking statements. Where, in any forward-looking statement, we express an expectation or belief as to future results or events, it is based on management's current plans and expectations, expressed in good faith and believed to have a reasonable basis. However, we can give no assurance that any such expectation or belief will result or will be achieved or accomplished. Investors therefore should not place undue reliance on forward-looking statements. The following include some but not all of the factors that could cause actual results or events to differ materially from those anticipated:

- the impact of the evolving COVID-19 pandemic or any future pandemic, epidemic, or similar public health threat and the global response thereto;
- uncertainties related to our efforts to develop, manufacture, and distribute potential treatments for COVID-19;
- the significant costs and uncertainties in the pharmaceutical research and development process, including with respect to the timing and process of obtaining regulatory approvals;
- the impact and outcome of acquisitions and business development transactions and related integration costs;
- the expiration of intellectual property protection for certain of our products and competition from generic and/or biosimilar products;
- our ability to protect and enforce patents and other intellectual property;
- changes in patent law or regulations related to data package exclusivity;
- competitive developments affecting current products and our pipeline;
- market uptake of recently launched products;
- information technology system inadequacies, breaches, or operating failures;
- unauthorized access, disclosure, misappropriation, or compromise of confidential information or other data stored in our information technology systems, networks, and facilities, or those of third parties with whom we share our data;
- unexpected safety or efficacy concerns associated with our products;
- litigation, investigations, or other similar proceedings involving past, current, or future products or commercial activities as we are largely self-insured;
- issues with product supply and regulatory approvals stemming from manufacturing difficulties, disruptions, or shortages, including as a result of demand, labor shortages, third-party performance, or regulatory actions relating to our facilities;
- reliance on third-party relationships and outsourcing arrangements;
- regulatory changes or other developments;
- regulatory actions regarding currently marketed products;
- continued pricing pressures and the impact of actions of governmental and private payers affecting pricing of, reimbursement for, and access to pharmaceuticals;
- devaluations in foreign currency exchange rates, changes in interest rates, and inflation;
- changes in tax law, tax rates, or events that differ from our assumptions related to tax positions;
- asset impairments and restructuring charges;
- the impact of global macroeconomic conditions, trade disruptions, global disputes, unrest, war, or other costs, uncertainties and risks related to engaging in business in foreign jurisdictions;
- changes in accounting and reporting standards promulgated by the Financial Accounting Standards Board and the Securities and Exchange Commission (SEC); and
- regulatory compliance problems or government investigations.

More information on factors that could cause actual results or events to differ materially from those anticipated is included from time to time in our reports filed with the SEC, including in our Annual Report on Form 10-K for the year ended December 31, 2021, particularly under the caption "Risk Factors." Investors should understand that it is not possible to predict or identify all such factors and should not consider the risks described above and under Part I, Item 1A, "Risk Factors" of our Annual Report on Form 10-K to be a complete statement of all potential risks and uncertainties.

All forward-looking statements speak only as of the date of this Quarterly Report on Form 10-Q and are expressly qualified in their entirety by the cautionary statements included in or incorporated by reference into this Quarterly Report on Form 10-Q. Except as is required by law, we expressly disclaim any obligation to publicly release any revisions to forward-looking statements to reflect events after the date of this Quarterly Report on Form 10-Q.

PART I. Financial Information

Item 1. Financial Statements

Consolidated Condensed Statements of Operations
(Unaudited)
ELI LILLY AND COMPANY AND SUBSIDIARIES
(Dollars and shares in millions, except per-share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	**2021**	**2022**	**2021**
Revenue (Note 2)	**$ 6,941.6**	$ 6,772.8	**$ 21,239.6**	$ 20,318.5
Costs, expenses, and other:				
Cost of sales	**1,579.1**	1,430.8	**5,081.7**	5,262.6
Research and development	**1,802.9**	1,705.3	**5,194.9**	5,032.4
Marketing, selling, and administrative	**1,614.2**	1,577.9	**4,797.2**	4,839.6
Acquired in-process research and development and development milestones (Note 3)	**62.4**	177.6	**668.4**	532.4
Asset impairment, restructuring, and other special charges (Note 5)	**206.5**	—	**206.5**	211.6
Other–net, (income) expense (Note 11)	**111.0**	635.9	**580.9**	124.3
	5,376.1	5,527.5	**16,529.6**	16,002.9
Income before income taxes	**1,565.5**	1,245.3	**4,710.0**	4,315.6
Income taxes (Note 7)	**113.8**	135.2	**402.9**	460.0
Net income	**$ 1,451.7**	$ 1,110.1	**$ 4,307.1**	$ 3,855.6
Earnings per share:				
Basic	**$ 1.61**	$ 1.22	**$ 4.78**	$ 4.25
Diluted	**$ 1.61**	$ 1.22	**$ 4.76**	$ 4.23
Shares used in calculation of earnings per share:				
Basic	**900.7**	906.7	**901.8**	907.7
Diluted	**903.8**	910.8	**904.5**	911.7

See notes to consolidated condensed financial statements.

Consolidated Condensed Statements of Comprehensive Income
(Unaudited)
ELI LILLY AND COMPANY AND SUBSIDIARIES
(Dollars in millions)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Net income	**$ 1,451.7**	$ 1,110.1	**$ 4,307.1**	$ 3,855.6
Other comprehensive income (loss), net of tax (Note 10)	**(8.1)**	114.4	**47.3**	323.7
Comprehensive income	**$ 1,443.6**	$ 1,224.5	**$ 4,354.4**	$ 4,179.3

See notes to consolidated condensed financial statements.

Consolidated Condensed Balance Sheets
ELI LILLY AND COMPANY AND SUBSIDIARIES
(Dollars in millions)

	September 30, 2022	December 31, 2021
Assets	**(Unaudited)**	
Current Assets		
Cash and cash equivalents (Note 6)	**$ 2,617.4**	$ 3,818.5
Short-term investments (Note 6)	**124.7**	90.1
Accounts receivable, net of allowances of **$17.7 (2022)** and $22.5 (2021)	**6,715.3**	6,672.8
Other receivables	**1,609.5**	1,454.4
Inventories	**3,831.1**	3,886.0
Prepaid expenses and other	**2,741.9**	2,530.6
Total current assets	**17,639.9**	18,452.4
Investments (Note 6)	**2,574.6**	3,212.6
Goodwill	**3,891.6**	3,892.0
Other intangibles, net	**7,124.1**	7,691.9
Deferred tax assets	**2,384.3**	2,489.3
Property and equipment, net of accumulated depreciation of **$10,074.0 (2022)** and $9,976.7 (2021)	**9,311.3**	8,985.1
Other noncurrent assets	**4,535.7**	4,082.7
Total assets	**$ 47,461.5**	$ 48,806.0
Liabilities and Equity		
Current Liabilities		
Short-term borrowings and current maturities of long-term debt	**$ 1,744.6**	$ 1,538.3
Accounts payable	**1,683.2**	1,670.6
Employee compensation	**984.1**	958.1
Sales rebates and discounts	**8,568.4**	6,845.8
Dividends payable	**—**	885.5
Income taxes payable	**685.6**	126.9
Other current liabilities	**1,986.9**	3,027.5
Total current liabilities	**15,652.8**	15,052.7
Other Liabilities		
Long-term debt	**14,143.8**	15,346.4
Accrued retirement benefits (Note 8)	**1,832.5**	1,954.1
Long-term income taxes payable	**3,641.7**	3,920.0
Deferred tax liabilities	**171.9**	1,733.7
Other noncurrent liabilities	**1,852.9**	1,644.3
Total other liabilities	**21,642.8**	24,598.5
Commitments and Contingencies (Note 9)		
Eli Lilly and Company Shareholders' Equity		
Common stock	**594.1**	596.3
Additional paid-in capital	**6,829.0**	6,833.4
Retained earnings	**10,006.5**	8,958.5
Employee benefit trust	**(3,013.2)**	(3,013.2)
Accumulated other comprehensive loss (Note 10)	**(4,295.8)**	(4,343.1)
Cost of common stock in treasury	**(50.5)**	(52.7)
Total Eli Lilly and Company shareholders' equity	**10,070.1**	8,979.2
Noncontrolling interests	**95.8**	175.6
Total equity	**10,165.9**	9,154.8
Total liabilities and equity	**$ 47,461.5**	$ 48,806.0

See notes to consolidated condensed financial statements.

Consolidated Condensed Statements of Equity
(Unaudited)
ELI LILLY AND COMPANY AND SUBSIDIARIES

(Dollars in millions, except per-share data, and shares in thousands)	Equity of Eli Lilly and Company Shareholders								Noncontrolling Interests
	Common Stock		Additional Paid-in Capital	Retained Earnings	Employee Benefit Trust	Accumulated Other Comprehensive Loss	Common Stock in Treasury[1]		
	Shares	Amount					Shares	Amount	
Balance at July 1, 2021	957,038	$ 598.1	$ 6,669.2	$ 8,530.1	$ (3,013.2)	$ (6,287.1)	463	$ (52.7)	$ 219.1
Net income (loss)				1,110.1					(22.6)
Other comprehensive income, net of tax						114.4			
Issuance of stock under employee stock plans, net	14	0.1	(1.3)						
Stock-based compensation			90.1						
Other				(0.8)					0.6
Balance at September 30, 2021	957,052	$ 598.2	$ 6,758.0	$ 9,639.4	$ (3,013.2)	$ (6,172.7)	463	$ (52.7)	$ 197.1
Balance at July 1, 2022	**950,619**	**$ 594.1**	**$ 6,746.0**	**$ 8,556.0**	**$ (3,013.2)**	**$ (4,287.7)**	**450**	**$ (50.5)**	**$ 114.5**
Net income (loss)				**1,451.7**					**(15.7)**
Other comprehensive loss, net of tax						**(8.1)**			
Issuance of stock under employee stock plans, net	**8**		**(2.1)**						
Stock-based compensation			**85.1**						
Other				**(1.2)**					**(3.0)**
Balance at September 30, 2022	**950,627**	**$ 594.1**	**$ 6,829.0**	**$ 10,006.5**	**$ (3,013.2)**	**$ (4,295.8)**	**450**	**$ (50.5)**	**$ 95.8**

[1] As of September 30, 2022, there was $3.25 billion remaining under our $5.00 billion share repurchase program authorized in May 2021.

See notes to consolidated condensed financial statements.

(Dollars in millions, except per-share data, and shares in thousands)	Equity of Eli Lilly and Company Shareholders								Noncontrolling Interests
	Common Stock		Additional Paid-in Capital	Retained Earnings	Employee Benefit Trust	Accumulated Other Comprehensive Loss	Common Stock in Treasury[1]		
	Shares	Amount					Shares	Amount	
Balance at January 1, 2021	957,077	$ 598.2	$ 6,778.5	$ 7,830.2	$ (3,013.2)	$ (6,496.4)	487	$ (55.7)	$ 183.6
Net income				3,855.6					25.2
Other comprehensive income, net of tax						323.7			
Cash dividends declared per share: $1.70				(1,542.9)					
Retirement of treasury shares	(2,467)	(1.5)		(498.5)			(2,467)	500.0	
Purchase of treasury shares							2,467	(500.0)	
Issuance of stock under employee stock plans, net	2,442	1.5	(287.1)				(24)	3.0	
Stock-based compensation			267.5						
Other			(0.9)	(5.0)					(11.7)
Balance at September 30, 2021	957,052	$ 598.2	$ 6,758.0	$ 9,639.4	$ (3,013.2)	$ (6,172.7)	463	$ (52.7)	$ 197.1
Balance at January 1, 2022	**954,116**	**$ 596.3**	**$ 6,833.4**	**$ 8,958.5**	**$ (3,013.2)**	**$ (4,343.1)**	**463**	**$ (52.7)**	**$ 175.6**
Net income (loss)				**4,307.1**					**(63.7)**
Other comprehensive income, net of tax						**47.3**			
Cash dividends declared per share: $1.96				**(1,765.9)**					
Retirement of treasury shares	**(5,607)**	**(3.5)**		**(1,496.5)**			**(5,607)**	**1,500.0**	
Purchase of treasury shares							**5,607**	**(1,500.0)**	
Issuance of stock under employee stock plans, net	**2,118**	**1.3**	**(282.6)**				**(13)**	**2.2**	
Stock-based compensation			**278.2**						
Other				**3.3**					**(16.1)**
Balance at September 30, 2022	**950,627**	**$ 594.1**	**$ 6,829.0**	**$ 10,006.5**	**$ (3,013.2)**	**$ (4,295.8)**	**450**	**$ (50.5)**	**$ 95.8**

[1] As of September 30, 2022, there was $3.25 billion remaining under our $5.00 billion share repurchase program authorized in May 2021.

See notes to consolidated condensed financial statements.

Consolidated Condensed Statements of Cash Flows
(Unaudited)
ELI LILLY AND COMPANY AND SUBSIDIARIES
(Dollars in millions)

	Nine Months Ended September 30,	
	2022	**2021**
Cash Flows from Operating Activities		
Net income	**$ 4,307.1**	$ 3,855.6
Adjustments to Reconcile Net Income to Cash Flows from Operating Activities:		
Depreciation and amortization	**1,147.5**	1,101.9
Change in deferred income taxes	**(2,195.6)**	(709.8)
Debt extinguishment loss (Note 6)	**—**	405.2
Stock-based compensation expense	**278.2**	267.5
Net investment (gains) losses	**676.4**	(271.1)
Acquired in-process research and development	**252.0**	498.3
Other changes in operating assets and liabilities, net of acquisitions and divestitures	**821.5**	(548.1)
Other non-cash operating activities, net	**217.6**	504.7
Net Cash Provided by Operating Activities	**5,504.7**	5,104.2
Cash Flows from Investing Activities		
Net purchases of property and equipment	**(1,353.6)**	(1,018.4)
Proceeds from sales and maturities of short-term investments	**83.1**	46.6
Purchases of short-term investments	**(65.0)**	(27.9)
Proceeds from sales of noncurrent investments	**251.6**	537.2
Purchases of noncurrent investments	**(474.1)**	(710.1)
Cash paid for acquisitions, net of cash acquired (Note 3)	**—**	(747.4)
Purchases of in-process research and development	**(574.8)**	(460.6)
Other investing activities, net	**(268.3)**	(2.7)
Net Cash Used for Investing Activities	**(2,401.1)**	(2,383.3)
Cash Flows from Financing Activities		
Dividends paid	**(2,651.4)**	(2,313.5)
Net change in short-term borrowings	**1,741.3**	(1.5)
Proceeds from issuance of long-term debt	**—**	2,410.8
Repayments of long-term debt	**(1,560.0)**	(1,905.3)
Purchases of common stock	**(1,500.0)**	(500.0)
Other financing activities, net	**(295.2)**	(295.3)
Net Cash Used for Financing Activities	**(4,265.3)**	(2,604.8)
Effect of exchange rate changes on cash and cash equivalents	**(39.4)**	15.0
Net decrease in cash and cash equivalents	**(1,201.1)**	131.1
Cash and cash equivalents at January 1	**3,818.5**	3,657.1
Cash and Cash Equivalents at September 30	**$ 2,617.4**	$ 3,788.2

See notes to consolidated condensed financial statements.

Note 1: Basis of Presentation and Implementation of New Financial Accounting Standard

We have prepared the accompanying unaudited consolidated condensed financial statements in accordance with the requirements of Form 10-Q and, therefore, they do not include all information and footnotes necessary for a fair presentation of financial position, results of operations, and cash flows in conformity with accounting principles generally accepted in the United States (GAAP). In our opinion, the consolidated condensed financial statements reflect all adjustments (including those that are normal and recurring) that are necessary for a fair presentation of the results of operations for the periods shown. In preparing financial statements in conformity with GAAP, we must make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, expenses, and related disclosures at the date of the financial statements and during the reporting period. Actual results could differ from those estimates.

The information included in this Quarterly Report on Form 10-Q should be read in conjunction with our consolidated financial statements and accompanying notes included in our Annual Report on Form 10-K for the year ended December 31, 2021. We issue our financial statements by filing them with the Securities and Exchange Commission and have evaluated subsequent events up to the time of the filing of this Quarterly Report on Form 10-Q.

Certain reclassifications have been made to prior periods in the consolidated condensed financial statements and accompanying notes to conform with the current presentation.

All per-share amounts, unless otherwise noted in the footnotes, are presented on a diluted basis; that is, based on the weighted-average number of common shares outstanding plus the effect of incremental shares from our stock-based compensation programs.

We operate as a single operating segment engaged in the discovery, development, manufacturing, marketing, and sales of pharmaceutical products worldwide. A global research and development organization and a supply chain organization are responsible for the discovery, development, manufacturing, and supply of our products. Regional commercial organizations market, distribute, and sell the products. The business is also supported by global corporate staff functions. Our determination that we operate as a single segment is consistent with the financial information regularly reviewed by the chief operating decision maker for purposes of evaluating performance, allocating resources, setting incentive compensation targets, and planning and forecasting for future periods.

Research and Development Expenses and Acquired In-Process Research and Development (IPR&D) and Development Milestones

Research and development costs are expensed as incurred. Research and development costs consist of expenses incurred in performing research and development activities, including but not limited to, compensation and benefits, facilities and overhead expense, clinical trial expense, and fees paid to contract research organizations.

Acquired IPR&D and development milestones include the initial costs of externally developed IPR&D projects, acquired directly in a transaction other than a business combination, that do not have an alternative future use. Additionally, milestone payment obligations related to these transactions that are incurred prior to regulatory approval of the compound are expensed when the event triggering an obligation to pay the milestone occurs.

Implementation of New Financial Accounting Standard

Accounting Standards Update 2021-01, *Reference Rate Reform*, provides for temporary optional expedients and exceptions in applying current GAAP to contracts, hedging relationships, and other transactions affected by the transition from the use of the London Interbank Offered Rate (LIBOR) to an alternative reference rate. The standard is currently applicable to contracts entered into before January 1, 2023. We adopted the standard in the first quarter of 2022. The adoption did not have a material impact on our consolidated condensed financial statements.

Note 2: Revenue

The following table summarizes our revenue recognized in our consolidated condensed statements of operations:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Net product revenue	**$ 6,119.2**	$ 6,189.0	**$ 19,123.0**	$ 18,579.5
Collaboration and other revenue[(1)]	**822.4**	583.8	**2,116.6**	1,739.0
Revenue	**$ 6,941.6**	$ 6,772.8	**$ 21,239.6**	$ 20,318.5

[(1)] Collaboration and other revenue associated with prior period transfers of intellectual property was $43.3 million and $130.9 million during the three and nine months ended September 30, 2022, respectively, and $62.1 million and $136.1 million during the three and nine months ended September 30, 2021, respectively.

We recognize revenue primarily from two different types of contracts, product sales to customers (net product revenue) and collaborations and other arrangements. Revenue recognized from collaborations and other arrangements includes our share of profits from the collaborations, as well as royalties, upfront and milestone payments we receive under these types of contracts. See Note 4 for additional information related to our collaborations and other arrangements. Collaboration and other revenue disclosed above includes the revenue from the Jardiance® and Trajenta® families of products resulting from our collaboration with Boehringer Ingelheim discussed in Note 4. Substantially all of the remainder of collaboration and other revenue is related to contracts accounted for as contracts with customers.

Adjustments to Revenue

Adjustments to increase revenue recognized as a result of changes in estimates for our most significant United States (U.S.) sales returns, rebates, and discounts liability balances for products shipped in previous periods were 3 percent of U.S. revenue for the three months ended September 30, 2022 and less than 1 percent of U.S. revenue during the nine months ended September 30, 2022 and the three and nine months ended September 30, 2021.

Contract Liabilities

Our contract liabilities result from arrangements where we have received payment in advance of performance under the contract and do not include sales returns, rebates, and discounts. Changes in contract liabilities are generally due to either receipt of additional advance payments or our performance under the contract.

The following table summarizes contract liability balances:

	September 30, 2022	December 31, 2021
Contract liabilities	**$ 232.5**	$ 262.6

During the three and nine months ended September 30, 2022 and 2021, revenue recognized from contract liabilities as of the beginning of the respective year was not material. Revenue expected to be recognized in the future from contract liabilities as the related performance obligations are satisfied is not expected to be material in any one year.

Disaggregation of Revenue

The following table summarizes revenue by product for the three months ended September 30, 2022 and 2021:

	Three Months Ended September 30,					
	2022			2021		
	U.S.	Outside U.S.	Total	U.S.	Outside U.S.	Total
Revenue—to unaffiliated customers:						
Diabetes:						
Trulicity®	**$ 1,418.3**	**$ 432.0**	**$ 1,850.4**	$ 1,201.4	$ 398.8	$ 1,600.1
Jardiance[1]	**350.9**	**222.4**	**573.3**	221.2	169.2	390.4
Humalog® [2]	**248.1**	**198.8**	**447.0**	347.3	279.4	626.7
Humulin®	**169.5**	**68.7**	**238.2**	193.4	93.4	286.7
Basaglar®	**124.8**	**68.1**	**193.0**	114.7	78.1	192.8
Mounjaro®	**97.3**	**90.0**	**187.3**	—	—	—
Other diabetes	**79.7**	**94.0**	**173.4**	65.0	112.2	177.4
Total diabetes	**2,488.6**	**1,174.0**	**3,662.6**	2,143.0	1,131.1	3,274.1
Oncology:						
Verzenio®	**414.8**	**202.9**	**617.7**	199.6	135.9	335.5
Cyramza®	**87.5**	**144.6**	**232.1**	84.8	168.6	253.4
Erbitux®	**126.3**	**18.7**	**144.9**	114.0	20.3	134.3
Alimta®	**64.6**	**54.8**	**119.4**	297.2	159.8	457.0
Tyvyt®	**—**	**76.8**	**76.8**	—	125.6	125.6
Other oncology	**39.5**	**62.8**	**102.4**	35.3	65.1	100.3
Total oncology	**732.7**	**560.6**	**1,293.3**	730.9	675.3	1,406.1
Immunology:						
Taltz®	**493.8**	**186.1**	**679.9**	422.2	170.9	593.1
Olumiant® [3]	**22.9**	**160.0**	**182.9**	194.0	212.9	406.9
Other immunology	**—**	**3.6**	**3.6**	—	4.9	4.9
Total immunology	**516.7**	**349.7**	**866.4**	616.2	388.7	1,004.9
Neuroscience:						
Emgality®	**114.0**	**54.6**	**168.5**	99.9	40.1	140.0
Zyprexa®	**8.0**	**73.4**	**81.4**	13.0	88.7	101.7
Cymbalta®	**7.8**	**54.9**	**62.7**	7.0	125.1	132.0
Other neuroscience	**16.0**	**44.5**	**60.6**	24.7	51.6	76.5
Total neuroscience	**145.8**	**227.4**	**373.2**	144.6	305.5	450.2
Other:						
COVID-19 antibodies[4]	**386.6**	**—**	**386.6**	215.5	1.6	217.1
Forteo®	**112.7**	**64.4**	**177.1**	109.6	91.3	200.9
Cialis®	**8.1**	**107.7**	**115.7**	(6.5)	137.4	130.9
Other	**30.9**	**35.7**	**66.6**	36.3	52.4	88.8
Total other	**538.3**	**207.8**	**746.0**	354.9	282.7	637.7
Revenue	**$ 4,422.1**	**$ 2,519.4**	**$ 6,941.6**	$ 3,989.6	$ 2,783.3	$ 6,772.8

Numbers may not add due to rounding.

[1] Jardiance revenue includes Glyxambi®, Synjardy®, and Trijardy® XR.

[2] Humalog revenue includes insulin lispro.

[3] Olumiant revenue includes sales for baricitinib that were made pursuant to Emergency Use Authorization (EUA) or similar regulatory authorizations.

[4] COVID-19 antibodies include sales for bamlanivimab administered alone, for bamlanivimab and etesevimab administered together, and for bebtelovimab and were made pursuant to EUAs or similar regulatory authorizations.

The following table summarizes revenue by product for the nine months ended September 30, 2022 and 2021:

	Nine Months Ended September 30,					
	2022			2021		
	U.S.	Outside U.S.	Total	U.S.	Outside U.S.	Total
Revenue—to unaffiliated customers:						
Diabetes:						
Trulicity	**$ 4,162.4**	**$ 1,341.1**	**$ 5,503.5**	$ 3,465.7	$ 1,122.5	$ 4,588.2
Humalog[1]	**855.8**	**656.4**	**1,512.3**	1,009.0	842.3	1,851.3
Jardiance[2]	**831.4**	**622.4**	**1,453.7**	566.8	492.1	1,058.9
Humulin	**562.3**	**223.1**	**785.4**	633.5	290.3	923.8
Basaglar	**339.9**	**218.8**	**558.7**	423.3	226.8	650.1
Mounjaro	**109.9**	**93.3**	**203.2**	—	—	—
Other diabetes	**195.6**	**276.5**	**472.2**	185.7	302.6	488.3
Total diabetes	**7,057.3**	**3,431.6**	**10,489.0**	6,284.0	3,276.6	9,560.6
Oncology:						
Verzenio	**1,100.5**	**575.1**	**1,675.6**	582.1	363.7	945.8
Cyramza	**259.3**	**434.3**	**693.6**	266.3	496.3	762.5
Alimta	**490.5**	**200.5**	**691.1**	911.9	714.7	1,626.6
Erbitux	**361.0**	**47.4**	**408.3**	357.7	45.9	403.7
Tyvyt	**—**	**235.8**	**235.8**	—	340.2	340.2
Other oncology	**124.1**	**186.5**	**310.6**	83.7	169.9	253.6
Total oncology	**2,335.4**	**1,679.6**	**4,015.0**	2,201.7	2,130.7	4,332.4
Immunology:						
Taltz	**1,212.6**	**561.6**	**1,774.2**	1,071.6	493.8	1,565.4
Olumiant[3]	**104.6**	**520.1**	**624.7**	236.5	572.6	809.1
Other immunology	**0.1**	**12.1**	**12.1**	15.2	14.5	29.7
Total immunology	**1,317.3**	**1,093.8**	**2,411.0**	1,323.3	1,080.9	2,404.2
Neuroscience:						
Emgality	**330.8**	**144.4**	**475.2**	313.5	102.2	415.7
Zyprexa	**26.2**	**235.5**	**261.7**	28.3	264.5	292.8
Cymbalta	**25.0**	**194.3**	**219.3**	30.3	454.0	484.3
Other neuroscience	**62.0**	**142.7**	**204.7**	81.0	154.0	235.0
Total neuroscience	**444.0**	**716.9**	**1,160.9**	453.1	974.7	1,427.8
Other:						
COVID-19 antibodies[4]	**1,970.9**	**14.7**	**1,985.5**	949.5	226.7	1,176.2
Cialis	**25.8**	**454.7**	**480.4**	(3.1)	541.8	538.7
Forteo	**261.4**	**191.7**	**453.0**	330.1	287.7	617.8
Other	**119.4**	**125.1**	**244.8**	96.5	164.3	260.8
Total other	**2,377.5**	**786.2**	**3,163.7**	1,373.0	1,220.5	2,593.5
Revenue	**$ 13,531.5**	**$ 7,708.1**	**$ 21,239.6**	$ 11,635.1	$ 8,683.4	$ 20,318.5

Numbers may not add due to rounding.
(1) Humalog revenue includes insulin lispro.
(2) Jardiance revenue includes Glyxambi, Synjardy, and Trijardy XR.
(3) Olumiant revenue includes sales for baricitinib that were made pursuant to EUA or similar regulatory authorizations.
(4) COVID-19 antibodies include sales for bamlanivimab administered alone, for bamlanivimab and etesevimab administered together, and for bebtelovimab and were made pursuant to EUAs or similar regulatory authorizations.

The following table summarizes revenue by geographical area:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Revenue—to unaffiliated customers[1]:				
U.S.	**$ 4,422.1**	$ 3,989.6	**$ 13,531.5**	$ 11,635.1
Europe	**1,056.4**	1,098.6	**3,224.8**	3,629.6
Japan	**487.7**	595.0	**1,352.3**	1,832.2
China	**343.4**	400.3	**1,102.0**	1,285.0
Other foreign countries	**632.0**	689.4	**2,029.1**	1,936.7
Revenue	**$ 6,941.6**	$ 6,772.8	**$ 21,239.6**	$ 20,318.5

Numbers may not add due to rounding.
(1) Revenue is attributed to the countries based on the location of the customer.

Note 3: Acquisitions

We engage in various forms of business development activities to enhance our product pipeline, including acquisitions, collaborations, investments, and licensing arrangements. In connection with these arrangements, our partners may be entitled to future royalties and/or commercial milestones based on sales should products be approved for commercialization and/or milestones based on the successful progress of compounds through the development process.

In January 2021, we completed the acquisition of Prevail Therapeutics Inc. (Prevail). This transaction, as further discussed below in Acquisition of a Business, was accounted for as a business combination under the acquisition method of accounting. Under this method, the assets acquired and liabilities assumed were recorded at their respective fair values as of the acquisition date in our consolidated condensed financial statements. The determination of estimated fair value required management to make significant estimates and assumptions. The excess of the purchase price over the fair value of the acquired net assets, where applicable, has been recorded as goodwill. The results of operations of this acquisition is included in our consolidated condensed financial statements from the date of acquisition.

We also acquired assets in development which are further discussed below in Asset Acquisitions. Upon each acquisition, the cost allocated to acquired IPR&D is immediately expensed if the compound has no alternative future use. Milestone payment obligations incurred prior to regulatory approval of the compound are expensed when the event triggering an obligation to pay the milestone occurs. We recognized acquired IPR&D and development milestone charges of $62.4 million and $668.4 million for the three and nine months ended September 30, 2022, respectively, and $177.6 million and $532.4 million for the three and nine months ended September 30, 2021, respectively.

Acquisition of a Business

Prevail Acquisition

Overview of Transaction

In January 2021, we acquired all shares of Prevail for a purchase price that included $22.50 per share in cash (or an aggregate of $747.4 million, net of cash acquired) plus one non-tradable contingent value right (CVR) per share. The CVR entitles Prevail stockholders up to an additional $4.00 per share in cash (or an aggregate of approximately $160 million) payable, subject to certain terms and conditions, upon the first regulatory approval of a Prevail product in one of the following countries: U.S., Japan, United Kingdom, Germany, France, Italy, or Spain. To achieve the full value of the CVR, such regulatory approval must occur by December 31, 2024. If such regulatory approval occurs after December 31, 2024, the value of the CVR will be reduced by approximately 8.3 cents per month until December 1, 2028, at which point the CVR will expire without payment.

Under the terms of the agreement, we acquired potentially disease-modifying AAV9-based gene therapies for patients with neurodegenerative diseases. The acquisition established a new modality for drug discovery and development, extending our research efforts through the creation of a gene therapy program that is being anchored by Prevail's portfolio of assets. The lead gene therapies in clinical development that we acquired were PR001 for patients with Parkinson's disease with GBA1 mutations and neuronopathic Gaucher disease and PR006 for patients with frontotemporal dementia with GRN mutations. Both PR001 and PR006 were granted Fast Track designation from the U.S. Food and Drug Administration (FDA).

Assets Acquired and Liabilities Assumed

The following table summarizes the amounts recognized for assets acquired and liabilities assumed as of the acquisition date:

Estimated Fair Value at January 22, 2021		
Cash	$	90.5
Acquired IPR&D[(1)]		824.0
Goodwill[(2)]		126.8
Deferred tax liabilities		(106.0)
Other assets and liabilities, net		(31.5)
Acquisition date fair value of consideration transferred		903.8
Less:		
Cash acquired		(90.5)
Fair value of CVR liability[(3)]		(65.9)
Cash paid, net of cash acquired	$	747.4

[(1)] Acquired IPR&D intangibles primarily relate to PR001. In the third quarter of 2022, we impaired the intangible asset related to PR001. See Note 5 for additional information.
[(2)] The goodwill recognized from this acquisition is not deductible for tax purposes.
[(3)] See Note 6 for a discussion on the estimation of the CVR liability.

We are unable to provide the results of operations for the three and nine months ended September 30, 2022 and 2021 attributable to Prevail as those operations were substantially integrated into our legacy business.

Pro forma information has not been included as this acquisition did not have a material impact on our consolidated condensed statements of operations for the three and nine months ended September 30, 2021.

Asset Acquisitions

The following table summarizes our significant asset acquisitions during the nine months ended September 30, 2022 and 2021:

Counterparty	Compound(s), Therapy or Asset	Acquisition Month	Phase of Development[(1)]	Acquired IPR&D Expense
BioMarin Pharmaceutical Inc.	Priority Review Voucher	February 2022	Not applicable	**$ 110.0**
Rigel Pharmaceuticals, Inc.	R552, a receptor-interacting serine/threonine-protein kinase 1 (RIPK1) inhibitor, for the potential treatment of autoimmune and inflammatory diseases	March 2021	Phase I	125.0
Precision Biosciences, Inc.	Potential in vivo therapies for genetic disorders	January 2021	Pre-clinical	107.8

[(1)] The phase of development presented is as of the date of the arrangement and represents the phase of development of the most advanced asset acquired, where applicable.

In connection with our acquisition of Petra Pharma Corporation (Petra), we were required to make milestone payments to Petra shareholders contingent upon the occurrence of certain future events linked to the success of the mutant-selective PI3Kα inhibitor. In the second quarter of 2022, we entered into agreements with substantially all Petra shareholders to acquire their rights to receive any future milestone payments in exchange for a one-time payment. As a result of these agreements, we recognized a charge of $333.8 million as a development milestone during the nine months ended September 30, 2022. Any remaining contingent milestones payments linked to the success of the mutant-selective PI3Kα are not expected to be material. We recognized no other significant development milestones during the three and nine months ended September 30, 2022 and 2021.

Subsequent Event - Akouos, Inc. (Akouos) Acquisition

On October 17, 2022, we entered into a definitive agreement to acquire Akouos. Pursuant to the terms of the agreement, we have commenced a tender offer to acquire all outstanding shares of Akouos for a purchase price of $12.50 per share in cash (an aggregate of approximately $487 million), payable at closing, plus one non-tradable CVR per share that will entitle the holder to receive up to an additional $3.00 per CVR in cash (an aggregate of up to approximately $123 million) upon the achievement of certain specified milestones. The acquisition will expand our gene therapy portfolio to include potential treatments for hearing loss and other inner ear conditions. The acquisition is not subject to any financing condition and is expected to close in the fourth quarter of 2022, subject to customary closing conditions, including receipt of required antitrust clearance and the tender of a majority of the outstanding shares of Akouos's common stock.

Note 4: Collaborations and Other Arrangements

We often enter into collaborative and other similar arrangements to develop and commercialize drug candidates. Collaborative activities may include research and development, marketing and selling (including promotional activities and physician detailing), manufacturing, and distribution. These arrangements often require milestone as well as royalty or profit-share payments, contingent upon the occurrence of certain future events linked to the success of the asset in development, as well as expense reimbursements from or payments to the collaboration partner. See Note 2 for amounts of collaboration and other revenue recognized from these types of arrangements.

Operating expenses for costs incurred pursuant to these arrangements are reported in their respective expense line item, net of any payments due to or reimbursements due from our collaboration partners, with such reimbursements being recognized at the time the party becomes obligated to pay. Each collaboration is unique in nature, and our more significant arrangements are discussed below.

Boehringer Ingelheim Diabetes Collaboration

We and Boehringer Ingelheim have a global agreement to jointly develop and commercialize a portfolio of diabetes compounds. Currently included in the collaboration are Boehringer Ingelheim's oral diabetes products: Jardiance, Glyxambi, Synjardy, Trijardy XR, Trajenta, and Jentadueto® as well as our basal insulin, Basaglar. Glyxambi, Synjardy, and Trijardy XR are included in the Jardiance product family. Jentadueto is included in the Trajenta product family.

In connection with the regulatory approvals of Jardiance, Trajenta, and Basaglar in the U.S., Europe, and Japan, milestone payments made for Jardiance and Trajenta were capitalized as intangible assets and are being amortized to cost of sales, and milestone payments received for Basaglar were recorded as contract liabilities and are being amortized to collaboration and other revenue. The milestones pertaining to Jardiance and Trajenta are being amortized through their respective term under the collaboration, which, depending on country or region, is determined based on the latest to occur of (a) a defined number of years following launch date, (b) the expiration of the compound patent, or (c) the expiration of marketing authorization exclusivity. The milestones pertaining to Basaglar are being amortized through 2029. The table below summarizes the net milestones capitalized with respect to the Jardiance and Trajenta families of products and the net milestones deferred with respect to Basaglar as of September 30, 2022 and December 31, 2021:

	Net Milestones Capitalized (Deferred)[1]	
	September 30, 2022	December 31, 2021
Jardiance	**$ 121.2**	$ 136.1
Trajenta	**69.6**	88.5
Basaglar	**(135.3)**	(149.3)

[1] This represents the amounts that have been capitalized (deferred) from the start of this collaboration through the end of the reporting period, net of amount amortized.

For the Jardiance product family, we and Boehringer Ingelheim share equally the ongoing development and commercialization costs in the most significant markets, and we record our portion of the development and commercialization costs as research and development expense and marketing, selling, and administrative expense, respectively. We receive a royalty on net sales of Boehringer Ingelheim's products in the most significant markets and recognize the royalty as collaboration and other revenue. Boehringer Ingelheim is entitled to potential performance payments depending on the net sales of the Jardiance product family; therefore, our reported revenue for Jardiance may be reduced by any potential performance payments we make related to this product family. The royalty received by us related to the Jardiance product family may also be increased or decreased depending on whether net sales for this product family exceed or fall below certain thresholds. We pay to Boehringer Ingelheim a royalty on net sales for Basaglar in the U.S. We record our sales of Basaglar to third parties as net product revenue with the royalty payments made to Boehringer Ingelheim recorded as cost of sales.

The following table summarizes our collaboration and other revenue recognized with respect to the Jardiance and Trajenta families of products and net product revenue recognized with respect to Basaglar:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Jardiance	**$ 573.3**	$ 390.4	**$ 1,453.7**	$ 1,058.9
Basaglar	**193.0**	192.8	**558.7**	650.1
Trajenta	**103.8**	96.1	**293.0**	279.9

Olumiant

We have a worldwide license and collaboration agreement with Incyte Corporation (Incyte), which provides us the development and commercialization rights to baricitinib, branded and trademarked as Olumiant, and certain follow-on compounds, for the treatment of inflammatory and autoimmune diseases and COVID-19. Incyte has the right to receive tiered, double digit royalty payments on worldwide net sales with rates ranging up to 20 percent. Incyte has the right to receive an additional royalty ranging up to the low teens on worldwide net sales for the treatment of COVID-19 that exceed a specified aggregate worldwide net sales threshold. The agreement calls for payments by us to Incyte associated with certain development, success-based regulatory, and sales-based milestones.

In connection with the regulatory approvals of Olumiant in the U.S., Europe, and Japan, as well as achievement of a sales-based milestone, milestone payments of $330.0 million and $260.0 million were capitalized as intangible assets as of September 30, 2022 and December 31, 2021, respectively, and are being amortized to cost of sales through the term of the collaboration. This represents the cumulative amounts that have been capitalized from the start of this collaboration through the end of each reporting period.

As of September 30, 2022, Incyte is eligible to receive up to $100.0 million of additional payments from us in potential sales-based milestones.

We record our sales of Olumiant, including sales of baricitinib that were made pursuant to EUA or similar regulatory authorizations, to third parties as net product revenue with the royalty payments made to Incyte recorded as cost of sales. The following table summarizes our net product revenue recognized with respect to Olumiant:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Olumiant	**$ 182.9**	$ 406.9	**$ 624.7**	$ 809.1

COVID-19 Antibodies

We have a worldwide license and collaboration agreement with AbCellera Biologics Inc. (AbCellera) to co-develop therapeutic antibodies for the potential prevention and treatment of COVID-19, including bamlanivimab and bebtelovimab, for which we hold development and commercialization rights. AbCellera has the right to receive tiered royalty payments on worldwide net sales of bamlanivimab and bebtelovimab with percentages ranging in the mid-teens to mid-twenties. Royalty payments made to AbCellera are recorded as cost of sales.

We have a license and collaboration agreement with Shanghai Junshi Biosciences Co., Ltd. (Junshi Biosciences) to co-develop therapeutic antibodies for the potential prevention and treatment of COVID-19, including etesevimab, for which we hold development and commercialization rights outside of mainland China and the Special Administrative Regions of Hong Kong and Macau, and for which Junshi Biosciences currently maintains all rights in mainland China and the Special Administrative Regions of Hong Kong and Macau. Junshi Biosciences has the right to receive royalty payments in the mid-teens on our net sales of etesevimab. Junshi Biosciences received certain development, success-based regulatory and sales-based milestones. Capitalized regulatory and sales-based milestones were fully amortized to cost of sales as of September 30, 2022.

Pursuant to EUAs or similar regulatory authorizations, we recognized net product revenue associated with our sales of our COVID-19 antibodies of $386.6 million and $1.99 billion for the three and nine months ended September 30, 2022, respectively, and $217.1 million and $1.18 billion for the three and nine months ended September 30, 2021, respectively.

Sintilimab Injection

We have a collaboration agreement with Innovent Biologics, Inc. (Innovent) to jointly develop and commercialize sintilimab injection in China, where it is branded and trademarked as Tyvyt. In connection with regulatory approvals for Tyvyt in China, milestone payments of $120.0 million and $40.0 million were capitalized as intangible assets as of September 30, 2022 and December 31, 2021, respectively, and are being amortized to cost of sales through the term of the collaboration. This represents the cumulative amounts that have been capitalized from the start of this collaboration through the end of each reporting period. As of September 30, 2022, Innovent is eligible to receive up to $115.0 million in success-based regulatory and sales-based milestones.

We record our sales of Tyvyt to third parties as net product revenue, with payments made to Innovent for its portion of the gross margin reported as cost of sales. We report as collaboration and other revenue our portion of the gross margin for Tyvyt sales made by Innovent to third parties. The following table summarizes our revenue recognized in China with respect to Tyvyt:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Tyvyt	**$ 76.8**	$ 125.6	**$ 235.8**	$ 340.2

In 2020, we obtained an exclusive license for sintilimab injection from Innovent for geographies outside of China, which was subsequently terminated and rights have reverted to Innovent in October 2022.

Lebrikizumab

We have a worldwide license agreement with F. Hoffmann-La Roche Ltd and Genentech, Inc. (collectively, Roche), which provides us the worldwide development and commercialization rights to lebrikizumab. Roche has the right to receive tiered royalty payments on future worldwide net sales ranging in percentages from high single digits to high teens if the product is successfully commercialized. As of September 30, 2022, Roche is eligible to receive up to $180.0 million of payments from us contingent upon the achievement of success-based regulatory milestones and up to $1.03 billion in a series of sales-based milestones, contingent upon the commercial success of lebrikizumab.

We have a license agreement with Almirall, S.A. (Almirall), under which Almirall licensed the rights to develop and commercialize lebrikizumab for the treatment or prevention of dermatology indications, including, but not limited to, atopic dermatitis in Europe. We have the right to receive tiered royalty payments on future net sales in Europe ranging in percentages from low double digits to low twenties if the product is successfully commercialized. As of September 30, 2022, we are eligible to receive additional payments of $85.0 million from Almirall contingent upon the achievement of success-based regulatory milestones and up to $1.25 billion in a series of sales-based milestones, contingent upon the commercial success of lebrikizumab. There were no remaining contract liabilities as of September 30, 2022. As of December 31, 2021, contract liabilities were not material. During the three and nine months ended September 30, 2022 and 2021, collaboration and other revenue recognized was not material.

Note 5: Asset Impairment, Restructuring, and Other Special Charges

The components of the charges included in asset impairment, restructuring, and other special charges in our consolidated condensed statements of operations are described below.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Severance	**$ —**	$ —	**$ —**	$ 11.5
Asset impairment and other special charges	**206.5**	—	**206.5**	200.1
Total asset impairment, restructuring, and other special charges	**$ 206.5**	$ —	**$ 206.5**	$ 211.6

Asset impairment, restructuring, and other special charges recognized during the three and nine months ended September 30, 2022 were primarily related to an intangible asset impairment for GBA1 Gene Therapy (PR001), acquired in the Prevail acquisition, as a result of changes in key assumptions used in the valuation due to delays in estimated launch timing.

Asset impairment, restructuring, and other special charges recognized during the nine months ended September 30, 2021 were primarily related to an intangible asset impairment of $108.1 million resulting from the sale of the rights to Qbrexza®, as well as acquisition and integration costs associated with the acquisition of Prevail.

We recognized a net inventory impairment charge related to our COVID-19 antibodies of $435.1 million during the nine months ended September 30, 2021 in cost of sales in our consolidated condensed statements of operations. As part of our response to the COVID-19 pandemic, and at the request of the U.S. and international governments, we invested in large-scale manufacturing of COVID-19 antibodies at risk, in order to ensure rapid access to patients around the world. As the COVID-19 pandemic evolved during 2021, we incurred a net inventory impairment charge primarily due to the combination of changes to demand from U.S. and international governments, including changes to our agreement with the U.S. government, and near-term expiry dates of COVID-19 antibodies.

Note 6: Financial Instruments

Financial instruments that potentially subject us to credit risk consist principally of trade receivables and interest-bearing investments. Wholesale distributors of life science products account for a substantial portion of our trade receivables; collateral is generally not required. We seek to mitigate the risk associated with this concentration through our ongoing credit-review procedures and insurance. A large portion of our cash is held by a few major financial institutions. We monitor our exposures with these institutions and do not expect any of these institutions to fail to meet their obligations. In accordance with documented corporate risk-management policies, we monitor the amount of credit exposure to any one financial institution or corporate issuer. We are exposed to credit-related losses in the event of nonperformance by counterparties to risk-management instruments but do not expect any counterparties to fail to meet their obligations given their investment grade credit ratings.

We consider all highly liquid investments with a maturity of three months or less from the date of purchase to be cash equivalents. The cost of these investments approximates fair value.

Our equity investments are accounted for using three different methods depending on the type of equity investment:

- Investments in companies over which we have significant influence but not a controlling interest are accounted for using the equity method, with our share of earnings or losses reported in other-net, (income) expense.
- For equity investments that do not have readily determinable fair values, we measure these investments at cost, less any impairment, plus or minus changes resulting from observable price changes in orderly transactions for the identical or similar investment of the same issuer. Any change in recorded value is recorded in other-net, (income) expense.
- Our public equity investments are measured and carried at fair value. Any change in fair value is recognized in other-net, (income) expense.

We review equity investments other than public equity investments for indications of impairment and observable price changes on a regular basis.

Our derivative activities are initiated within the guidelines of documented corporate risk-management policies and are intended to offset losses and gains on the assets, liabilities, and transactions being hedged. Management reviews the correlation and effectiveness of our derivatives on a quarterly basis.

For derivative instruments that are designated and qualify as fair value hedges, the derivative instrument is marked to market, with gains and losses recognized currently in income to offset the respective losses and gains recognized on the underlying exposure. For derivative instruments that are designated and qualify as cash flow hedges, gains and losses are reported as a component of accumulated other comprehensive loss and reclassified into earnings in the same period the hedged transaction affects earnings. For derivative and non-derivative instruments that are designated and qualify as net investment hedges, the foreign currency translation gains or losses due to spot rate fluctuations are reported as a component of accumulated other comprehensive loss. Derivative contracts that are not designated as hedging instruments are recorded at fair value with the gain or loss recognized in earnings during the period of change.

We may enter into foreign currency forward or option contracts to reduce the effect of fluctuating currency exchange rates (principally the euro, British pound, Chinese yuan, and Japanese yen). Foreign currency derivatives used for hedging are put in place using the same or like currencies and duration as the underlying exposures. Forward and option contracts are principally used to manage exposures arising from subsidiary trade and loan payables and receivables denominated in foreign currencies. These contracts are recorded at fair value with the gain or loss recognized in other–net, (income) expense. We may enter into foreign currency forward and option contracts and currency swaps as fair value hedges of firm commitments. Forward contracts generally have maturities not exceeding 12 months. At September 30, 2022, we had outstanding foreign currency forward commitments to purchase 1.69 billion U.S. dollars and sell 1.71 billion euro; commitments to purchase 2.24 billion euro and sell 2.24 billion U.S. dollars; commitments to purchase 239.5 million U.S. dollars and sell 1.63 billion Chinese yuan; commitments to purchase 82.1 million U.S. dollars and sell 11.86 billion Japanese yen; and commitments to purchase 182.1 million British pounds and sell 206.9 million U.S. dollars, which all have settlement dates within 180 days.

Foreign currency exchange risk is also managed through the use of foreign currency debt, cross-currency interest rate swaps, and foreign currency forward contracts. Our foreign currency-denominated notes had carrying amounts of $6.23 billion and $7.90 billion as of September 30, 2022 and December 31, 2021, respectively, of which $4.94 billion and $5.79 billion have been designated as, and are effective as, economic hedges of net investments in certain of our foreign operations as of September 30, 2022 and December 31, 2021, respectively. At September 30, 2022, we had outstanding cross-currency swaps with notional amounts of $1.56 billion swapping U.S. dollars to euro and $1.00 billion swapping Swiss francs to U.S. dollars which have settlement dates ranging through 2028. Our cross-currency interest rate swaps, for which a majority convert a portion of our U.S. dollar-denominated fixed-rate debt to foreign-denominated fixed-rate debt, have also been designated as, and are effective as, economic hedges of net investments. At September 30, 2022, we had outstanding foreign currency forward contracts to sell 1.34 billion euro with settlement dates ranging through 2023, which have been designated as, and are effective as, economic hedges of net investments.

In the normal course of business, our operations are exposed to fluctuations in interest rates which can vary the costs of financing, investing, and operating. We seek to address a portion of these risks through a controlled program of risk management that includes the use of derivative financial instruments. The objective of controlling these risks is to limit the impact of fluctuations in interest rates on earnings. Our primary interest-rate risk exposure results from changes in short-term U.S. dollar interest rates. In an effort to manage interest-rate exposures, we strive to achieve an acceptable balance between fixed- and floating-rate debt and investment positions and may enter into interest rate swaps or collars to help maintain that balance.

Interest rate swaps or collars that convert our fixed-rate debt to a floating rate are designated as fair value hedges of the underlying instruments. Interest rate swaps or collars that convert floating-rate debt to a fixed rate are designated as cash flow hedges. Interest expense on the debt is adjusted to include the payments made or received under the swap agreements. Cash proceeds from or payments to counterparties resulting from the termination of interest rate swaps are classified as operating activities in our consolidated condensed statements of cash flows. At September 30, 2022, substantially all of our total long-term debt is at a fixed rate. We have converted approximately 10 percent of our long-term fixed-rate notes to floating rates through the use of interest rate swaps.

We also may enter into forward-starting interest rate swaps, which we designate as cash flow hedges, as part of any anticipated future debt issuances in order to reduce the risk of cash flow volatility from future changes in interest rates. The change in fair value of these instruments is recorded as part of other comprehensive income (loss) and, upon completion of a debt issuance and termination of the swap, is amortized to interest expense over the life of the underlying debt. As of September 30, 2022, the total notional amounts of forward-starting interest rate contracts in designated cash flow hedging instruments were $1.75 billion, which have settlement dates ranging between 2023 and 2025.

Effective September 15, 2022, we increased our 364-day credit facility from $2.00 billion to $4.00 billion, which will expire in September 2023, and is available to support our commercial paper program. We have not drawn against the $4.00 billion 364-day credit facility as of September 30, 2022.

In September 2021, we issued euro-denominated notes consisting of €600.0 million of 0.50 percent fixed-rate notes due in September 2033, with interest to be paid annually. The net proceeds from the offering have been, and will continue to be, used to fund, in whole or in part, eligible projects designed to advance one or more of our environmental, social, and governance objectives.

In September 2021, we issued euro-denominated notes consisting of €500.0 million of 1.125 percent fixed-rate notes due in September 2051 and €700.0 million of 1.375 percent fixed-rate notes due in September 2061, with interest to be paid annually, and British pound-denominated notes consisting of £250.0 million of 1.625 percent fixed-rate notes due in September 2043, with interest to be paid annually. We paid $1.91 billion of the net cash proceeds from the offering to purchase and redeem certain higher interest rate U.S. dollar-denominated notes with an aggregate principal amount of $1.50 billion, resulting in a debt extinguishment loss of $405.2 million. This loss was included in other net, (income) expense in our consolidated condensed statement of operations during the three and nine months ended September 30, 2021. The $1.50 billion principal amount of higher interest rate U.S. dollar-denominated notes that were redeemed primarily included $541.8 million of 3.95 percent notes due 2049, $408.7 million of 4.15 percent notes due 2059, and $219.4 million of 3.375 percent notes due 2029. We used the remaining net proceeds from the offering to prefund certain 2022 debt maturities and for general corporate purposes.

The Effect of Risk-Management Instruments on the Consolidated Condensed Statements of Operations

The following effects of risk-management instruments were recognized in other–net, (income) expense:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	**2021**	**2022**	**2021**
Fair value hedges:				
Effect from hedged fixed-rate debt	**$ (62.9)**	$ (10.1)	**$ (215.7)**	$ (60.5)
Effect from interest rate contracts	**62.9**	10.1	**215.7**	60.5
Cash flow hedges:				
Effective portion of losses on interest rate contracts reclassified from accumulated other comprehensive loss	**4.1**	4.2	**12.3**	12.5
Cross-currency interest rate swaps	**33.1**	10.0	**75.0**	58.1
Net (gains) losses on foreign currency exchange contracts not designated as hedging instruments	**129.6**	50.8	**280.7**	110.6
Total	**$ 166.8**	$ 65.0	**$ 368.0**	$ 181.2

During the three and nine months ended September 30, 2022 and 2021, the amortization of losses related to the portion of our risk management hedging instruments, fair value hedges, and cash flow hedges that was excluded from the assessment of effectiveness was not material.

The Effect of Risk-Management Instruments on Other Comprehensive Income (Loss)

The effective portion of risk-management instruments that was recognized in other comprehensive income (loss) is as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Net investment hedges:				
Foreign currency-denominated notes	**$ 435.1**	$ 119.0	**$ 822.8**	$ 268.8
Cross-currency interest rate swaps	**92.1**	66.7	**171.4**	170.8
Foreign currency forward contracts	**107.8**	—	**121.4**	—
Cash flow hedges:				
Forward-starting interest rate swaps	**57.5**	19.4	**337.7**	149.3
Cross-currency interest rate swaps	**19.9**	3.1	**38.4**	22.5

During the next 12 months, we expect to reclassify $16.7 million of pretax net losses on cash flow hedges from accumulated other comprehensive loss to other–net, (income) expense. During the three and nine months ended September 30, 2022 and 2021, the amounts excluded from the assessment of hedge effectiveness recognized in other comprehensive income (loss) were not material.

Fair Value of Financial Instruments

The following tables summarize certain fair value information at September 30, 2022 and December 31, 2021 for assets and liabilities measured at fair value on a recurring basis, as well as the carrying amount and amortized cost of certain other investments:

	Carrying Amount	Cost[1]	Fair Value Measurements Using			Fair Value
			Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
September 30, 2022						
Cash equivalents	**$ 1,246.8**	**$ 1,246.8**	**$ 1,239.2**	**$ 7.6**	**$ —**	**$ 1,246.8**
Short-term investments:						
U.S. government and agency securities	**$ 43.0**	**$ 43.5**	**$ 43.0**	**$ —**	**$ —**	**$ 43.0**
Corporate debt securities	**51.7**	**51.8**	**—**	**51.7**	**—**	**51.7**
Asset-backed securities	**3.0**	**3.0**	**—**	**3.0**	**—**	**3.0**
Other securities	**27.0**	**27.0**	**—**	**14.8**	**12.2**	**27.0**
Short-term investments	**$ 124.7**					
Noncurrent investments:						
U.S. government and agency securities	**$ 131.4**	**$ 148.3**	**$ 131.4**	**$ —**	**$ —**	**$ 131.4**
Corporate debt securities	**206.4**	**232.5**	**—**	**206.4**	**—**	**206.4**
Mortgage-backed securities	**143.1**	**156.1**	**—**	**143.1**	**—**	**143.1**
Asset-backed securities	**43.6**	**45.5**	**—**	**43.6**	**—**	**43.6**
Other securities	**152.5**	**96.3**	**—**	**39.5**	**113.0**	**152.5**
Marketable equity securities	**549.1**	**416.1**	**549.1**	**—**	**—**	**549.1**
Equity investments without readily determinable fair values[2]	**583.7**					
Equity method investments[2]	**764.8**					
Noncurrent investments	**$ 2,574.6**					
December 31, 2021						
Cash equivalents	$ 2,379.5	$ 2,379.5	$ 2,361.0	$ 18.5	$ —	$ 2,379.5
Short-term investments:						
U.S. government and agency securities	$ 25.7	$ 25.6	$ 25.7	$ —	$ —	$ 25.7
Corporate debt securities	43.7	43.7	—	43.7	—	43.7
Mortgage-backed securities	0.2	0.2	—	0.2	—	0.2
Asset-backed securities	6.2	6.2	—	6.2	—	6.2
Other securities	14.3	14.3	—	—	14.3	14.3
Short-term investments	$ 90.1					
Noncurrent investments:						
U.S. government and agency securities	$ 137.0	$ 136.8	$ 137.0	$ —	$ —	$ 137.0
Corporate debt securities	235.3	232.7	—	235.3	—	235.3
Mortgage-backed securities	109.8	108.1	—	109.8	—	109.8
Asset-backed securities	23.1	23.1	—	23.1	—	23.1
Other securities	108.1	22.2	—	—	108.1	108.1
Marketable equity securities	1,279.7	487.0	1,279.7	—	—	1,279.7
Equity investments without readily determinable fair values[2]	548.1					
Equity method investments[2]	771.5					
Noncurrent investments	$ 3,212.6					

[1] For available-for-sale debt securities, amounts disclosed represent the securities' amortized cost.
[2] Fair value disclosures are not applicable for equity method investments and investments accounted for under the measurement alternative for equity investments.

	Carrying Amount	Fair Value Measurements Using			Fair Value
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Short-term commercial paper borrowings					
September 30, 2022	**$ (1,741.3)**	**$ —**	**$ (1,738.0)**	**$ —**	**$ (1,738.0)**
December 31, 2021	—	—	—	—	—
Long-term debt, including current portion					
September 30, 2022	**$ (14,147.1)**	**$ —**	**$ (11,848.6)**	**$ —**	**$ (11,848.6)**
December 31, 2021	(16,884.7)	—	(18,157.7)	—	(18,157.7)

	Carrying Amount	Fair Value Measurements Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value
September 30, 2022					
Risk-management instruments:					
Interest rate contracts designated as fair value hedges:					
Other noncurrent liabilities	**$ (140.2)**	**$ —**	**$ (140.2)**	**$ —**	**$ (140.2)**
Interest rate contracts designated as cash flow hedges:					
Other noncurrent assets	**355.2**	**—**	**355.2**	**—**	**355.2**
Cross-currency interest rate contracts designated as net investment hedges:					
Other receivables	**81.6**	**—**	**81.6**	**—**	**81.6**
Other noncurrent assets	**116.9**	**—**	**116.9**	**—**	**116.9**
Cross-currency interest rate contracts designated as cash flow hedges:					
Other noncurrent assets	**8.3**	**—**	**8.3**	**—**	**8.3**
Other noncurrent liabilities	**(12.9)**	**—**	**(12.9)**	**—**	**(12.9)**
Foreign exchange contracts designated as net investment hedges:					
Other receivables	**108.2**	—	**108.2**	—	**108.2**
Other current liabilities	**(2.9)**	—	**(2.9)**	—	**(2.9)**
Foreign exchange contracts not designated as hedging instruments:					
Other receivables	**48.1**	**—**	**48.1**	**—**	**48.1**
Other current liabilities	**(93.5)**	**—**	**(93.5)**	**—**	**(93.5)**
Contingent consideration liability:					
Other noncurrent liabilities	**(42.1)**	**—**	**—**	**(42.1)**	**(42.1)**
December 31, 2021					
Risk-management instruments:					
Interest rate contracts designated as fair value hedges:					
Other receivables	$ 4.8	$ —	$ 4.8	$ —	$ 4.8
Other noncurrent assets	78.3	—	78.3	—	78.3
Other noncurrent liabilities	(7.6)	—	(7.6)	—	(7.6)
Interest rate contracts designated as cash flow hedges:					
Other noncurrent assets	49.2	—	49.2	—	49.2
Other noncurrent liabilities	(31.7)	—	(31.7)	—	(31.7)
Cross-currency interest rate contracts designated as net investment hedges:					
Other noncurrent assets	31.3	—	31.3	—	31.3
Other current liabilities	(1.2)	—	(1.2)	—	(1.2)
Cross-currency interest rate contracts designated as cash flow hedges:					
Other noncurrent assets	33.2	—	33.2	—	33.2
Other noncurrent liabilities	(1.3)	—	(1.3)	—	(1.3)
Foreign exchange contracts not designated as hedging instruments:					
Other receivables	9.9	—	9.9	—	9.9
Other current liabilities	(35.3)	—	(35.3)	—	(35.3)
Contingent consideration liabilities:					
Other noncurrent liabilities	(70.5)	—	—	(70.5)	(70.5)

Risk-management instruments above are disclosed on a gross basis. There are various rights of setoff associated with certain of the risk-management instruments above that are subject to enforceable master netting arrangements or similar agreements. Although various rights of setoff and master netting arrangements or similar agreements may exist with the individual counterparties to the risk-management instruments above, individually, these financial rights are not material.

We determine our Level 1 and Level 2 fair value measurements based on a market approach using quoted market values, significant other observable inputs for identical or comparable assets or liabilities, or discounted cash flow analyses. Level 3 fair value measurements for other investment securities are determined using unobservable inputs, including the investments' cost adjusted for impairments and price changes from orderly transactions. Fair values are not readily available for certain equity investments measured under the measurement alternative.

As of September 30, 2022, we had approximately $854 million of unfunded commitments to invest in venture capital funds, which we anticipate will be paid over a period of up to 10 years.

Contingent consideration liability relates to our liability arising in connection with the CVR issued as a result of the Prevail acquisition. The fair value of the CVR liability was estimated using a discounted cash flow analysis and Level 3 inputs, including projections representative of a market participant's view of the expected cash payment associated with the first potential regulatory approval of a Prevail compound in the applicable countries based on probabilities of technical success, timing of the potential approval events for the compounds, and an estimated discount rate. See Note 3 for additional information related to the CVR arrangement.

The table below summarizes the contractual maturities of our investments in debt securities measured at fair value as of September 30, 2022:

		Maturities by Period			
	Total	Less Than 1 Year	1-5 Years	6-10 Years	More Than 10 Years
Fair value of debt securities	$ 622.2	$ 97.7	$ 197.8	$ 121.0	$ 205.7

The net gains (losses) recognized in our consolidated condensed statements of operations for equity securities were $(123.3) million and $(667.6) million for the three and nine months ended September 30, 2022, respectively, and $(246.8) million and $270.1 million for the three and nine months ended September 30, 2021, respectively. The net gains (losses) recognized for the three and nine months ended September 30, 2022 and 2021 on equity securities sold during the respective periods were not material.

We adjust our equity investments without readily determinable fair values based upon changes in the equity instruments' values resulting from observable price changes in orderly transactions for an identical or similar investment of the same issuer. Downward adjustments resulting from an impairment are recorded based upon impairment considerations, including the financial condition and near term prospects of the issuer, general market conditions, and industry specific factors. Adjustments recorded for the three and nine months ended September 30, 2022 and 2021 were not material.

A summary of the amount of unrealized gains and losses in accumulated other comprehensive loss and the fair value of available-for-sale securities in an unrealized gain or loss position follows:

	September 30, 2022	December 31, 2021
Unrealized gross gains	**$ 0.1**	$ 9.7
Unrealized gross losses	**51.6**	5.2
Fair value of securities in an unrealized gain position	**13.8**	250.7
Fair value of securities in an unrealized loss position	**578.8**	290.2

We periodically assess our investment in available-for-sale securities for impairment losses and credit losses. The amount of credit losses are determined by comparing the difference between the present value of future cash flows expected to be collected on these securities and the amortized cost. Factors considered in assessing credit losses include the position in the capital structure, vintage and amount of collateral, delinquency rates, current credit support, and geographic concentration. Impairment and credit losses related to available-for-sale securities were not material for the three and nine months ended September 30, 2022 and 2021.

As of September 30, 2022, the available-for-sale securities in an unrealized loss position include primarily fixed-rate debt securities of varying maturities, which are sensitive to changes in the yield curve and other market conditions. Approximately 95 percent of the fixed-rate debt securities in a loss position are investment-grade debt securities. As of September 30, 2022, we do not intend to sell, and it is not more likely than not that we will be required to sell, the securities in a loss position before the market values recover or the underlying cash flows have been received, and there is no indication of a material default on interest or principal payments for our debt securities.

Activity related to our available-for-sale securities was as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Proceeds from sales	**$ 50.5**	$ 49.6	**$ 115.6**	$ 137.3
Realized gross gains on sales	**—**	0.4	**0.2**	2.2
Realized gross losses on sales	**7.5**	0.3	**9.0**	1.1

Realized gains and losses on sales of available-for-sale investments are computed based upon specific identification of the initial cost adjusted for any other-than-temporary declines in fair value that were recorded in earnings.

Accounts Receivable Factoring Arrangements

We have entered into accounts receivable factoring agreements with financial institutions to sell certain of our non-U.S. accounts receivable. These transactions are accounted for as sales and result in a reduction in accounts receivable because the agreements transfer effective control over, and risk related to, the receivables to the buyers. Our factoring agreements do not allow for recourse in the event of uncollectibility, and we do not retain any interest in the underlying accounts receivable once sold. We derecognized $356.8 million and $550.5 million of accounts receivable as of September 30, 2022 and December 31, 2021, respectively, under these factoring arrangements. The costs of factoring such accounts receivable on our consolidated condensed results of operations for the three and nine months ended September 30, 2022 and 2021 were not material.

Note 7: Income Taxes

The effective tax rates were 7.3 percent and 8.6 percent for the three and nine months ended September 30, 2022, respectively, reflecting the favorable tax impact of the implementation of a provision in the Tax Cuts and Jobs Act (2017 Tax Act) that requires capitalization and amortization of research and development expenses for tax purposes starting in 2022, net investment losses on equity securities, and an intangible asset impairment charge. We expect our effective tax rate to be approximately 13 percent to 14 percent for 2022 if the capitalization and amortization of research and development expenses provision of the 2017 Tax Act is deferred or repealed by the U.S. Congress effective for 2022.

The effective tax rate was 10.9 percent for the three months ended September 30, 2021, reflecting the favorable tax impact of a debt extinguishment loss and of net investment losses on equity securities, partially offset by a net discrete tax detriment. The effective tax rate was 10.7 percent for the nine months ended September 30, 2021, reflecting the favorable tax impact of a net discrete tax benefit, a debt extinguishment loss, and a net inventory impairment charge related to our COVID-19 antibodies.

The U.S. examination of tax years 2016-2018 began in the fourth quarter of 2019 and remains ongoing. The resolution of this audit period will likely extend beyond the next 12 months.

Note 8: Retirement Benefits

Net pension and retiree health benefit (income) cost included the following components:

	Defined Benefit Pension Plans			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Components of net periodic benefit cost:				
Service cost	**$ 87.1**	$ 92.5	**$ 264.4**	$ 277.8
Interest cost	**98.9**	84.5	**299.0**	253.6
Expected return on plan assets	**(235.1)**	(237.5)	**(711.6)**	(712.7)
Amortization of prior service cost	**0.6**	1.0	**1.9**	3.2
Recognized actuarial loss	**85.3**	121.9	**256.8**	366.3
Net periodic benefit cost	**$ 36.8**	$ 62.4	**$ 110.5**	$ 188.2

	Retiree Health Benefit Plans			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Components of net periodic benefit income:				
Service cost	**$ 11.7**	$ 12.4	**$ 35.0**	$ 37.0
Interest cost	**9.4**	8.1	**28.4**	24.4
Expected return on plan assets	**(38.0)**	(36.5)	**(114.1)**	(109.6)
Amortization of prior service benefit	**(13.7)**	(14.9)	**(41.1)**	(44.7)
Recognized actuarial loss	**0.2**	0.8	**0.7**	2.4
Net periodic benefit income	**$ (30.4)**	$ (30.1)	**$ (91.1)**	$ (90.5)

Note 9: Contingencies

We are involved in various lawsuits, claims, government investigations and other legal proceedings that arise in the ordinary course of business. These claims or proceedings can involve various types of parties, including governments, competitors, customers, suppliers, service providers, licensees, employees, or shareholders, among others. These matters may involve patent infringement, antitrust, securities, pricing, sales and marketing practices, environmental, commercial, contractual rights, licensing obligations, health and safety matters, consumer fraud, employment matters, product liability and insurance coverage, among others. The resolution of these matters often develops over a long period of time and expectations can change as a result of new findings, rulings, appeals or settlement arrangements. Legal proceedings that are significant or that we believe could become significant or material are described below.

We believe the legal proceedings in which we are named as defendants are without merit and we are defending against them vigorously. It is not possible to determine the final outcome of these matters, and we cannot reasonably estimate the maximum potential exposure or the range of possible loss in excess of amounts accrued for any of these matters; however, we believe that the resolution of all such matters will not have a material adverse effect on our consolidated financial position or liquidity, but could possibly be material to our consolidated results of operations in any one accounting period.

Litigation accruals, environmental liabilities, and the related estimated insurance recoverables are reflected on a gross basis as liabilities and assets, respectively, on our consolidated condensed balance sheets. With respect to the product liability claims currently asserted against us, we have accrued for our estimated exposures to the extent they are both probable and reasonably estimable based on the information available to us. We accrue for certain product liability claims incurred but not filed to the extent we can formulate a reasonable estimate of their costs. We estimate these expenses based primarily on historical claims experience and data regarding product usage. Legal defense costs expected to be incurred in connection with significant product liability loss contingencies are accrued when both probable and reasonably estimable.

Because of the nature of pharmaceutical products, it is possible that we could become subject to large numbers of additional product liability and related claims in the future. Due to a very restrictive market for litigation liability insurance, we are self-insured for litigation liability losses for all our currently and previously marketed products.

Patent Litigation

Alimta European Patent Litigation

In Europe, Alimta (pemetrexed) was protected by a patent through June 2021. A number of legal proceedings that were initiated prior to patent expiration are ongoing.

Emgality Patent Litigation

We are a named defendant in litigation filed by Teva Pharmaceuticals International GMBH and Teva Pharmaceuticals USA, Inc. (collectively, Teva) in the U.S. District Court for the District of Massachusetts seeking a ruling that various claims in three different Teva patents would be infringed by our launch and continued sales of Emgality for the prevention of migraine in adults. Trial began in October 2022. In June 2021, we were named as a defendant in a second litigation filed by Teva in the U.S. District Court for the District of Massachusetts seeking a ruling that two of Teva's patents, which are directed toward use of the active ingredient in Emgality to treat migraine, would be infringed by our continued sales of Emgality. We challenged these two patents by filing requests for Inter Partes Review with the Patent Trial and Appeal Board (PTAB) and in October 2022, the PTAB granted our requests.The corresponding district court litigation is stayed while this PTAB proceeding is ongoing.

Jardiance Patent Litigation

In November 2018, Boehringer Ingelheim, our partner in marketing and development of Jardiance, initiated U.S. patent litigation in the U.S. District Court of Delaware alleging infringement arising from submissions of Abbreviated New Drug Applications (ANDA) by a number of generic companies seeking approval to market generic versions of Jardiance, Glyxambi, and Synjardy in accordance with the procedures set out in the Drug Price Competition and Patent Term Restoration Act of 1984 (the Hatch-Waxman Act). Particularly with respect to Jardiance, the generic companies' ANDAs seek approval to market generic versions of Jardiance prior to the expiration of the relevant patents, and allege that certain patents, including in some allegations the compound patent, are invalid or would not be infringed. We are not a party to this litigation. This litigation has been stayed.

Taltz Patent Litigation

In April 2021, we petitioned the High Court of Ireland to declare invalid a patent that Novartis Pharma AG (Novartis) purchased from Genentech, Inc. in 2020. Novartis responded by filing a claim against us alleging patent infringement related to our commercialization of Taltz and seeking damages for past infringement and an injunction against future infringement.

In April 2021, Novartis petitioned the Court of Rome Intellectual Property Division for a preliminary injunction (PI) against us related to our commercialization of Taltz in Italy. In May 2021, We commenced patent revocation proceedings against Novartis before the Court of Milan’s IP Division where we also sought a declaration of non-infringement. Novartis counter-claimed for patent infringement and sought a permanent injunction. A hearing on the PI request before the Court of Rome Intellectual Property Division took place in May 2022 and in July 2022, the court rejected Novartis' request.

In November 2021, Novartis petitioned the Swiss Federal Patent Court for a PI and a permanent injunction in main infringement proceedings against us related to our commercialization of Taltz in Switzerland. We petitioned the court to revoke the patent and for a declaration of non-infringement. In April 2022, Novartis withdrew its PI request.

In January 2022, we commenced an action in the Hague District Court asking for a judgment that a Novartis Dutch patent is not infringed by our commercialization of Taltz in the Netherlands and is invalid. In October 2022, Novartis filed a counterclaim for infringement and sought a permanent injunction.

In October 2022, we entered into a settlement and mutual release agreement with Novartis, which resolves the above-described disputes. Without any admission of liability or wrongdoing, we and Novartis have agreed to mutual releases for past claims and mutual covenants not to sue the other in relation to Taltz and the patents Novartis purchased from Genentech.

Zyprexa Canada Patent Litigation

Beginning in the mid-2000s, several generic companies in Canada challenged the validity of our Zyprexa compound patent. In 2012, the Canadian Federal Court of Appeals denied our appeal of a lower court's decision that certain patent claims were invalid for lack of utility. In 2013, Apotex Inc. and Apotex Pharmachem Inc. (collectively, Apotex) brought claims against us in the Ontario Superior Court of Justice at Toronto for damages related to our enforcement of the Zyprexa compound patent under Canadian regulations governing patented drugs. Apotex seeks compensation based on novel legal theories under the Statute of Monopolies, Trademark Act, and common law. In March 2021, the Ontario Superior Court granted our motion for summary judgment, thereby dismissing Apotex's case. Apotex appealed that ruling to the Court of Appeal for Ontario in April 2021. In August 2022, the Court dismissed the appeal and in October 2022, Apotex appealed the decision. This matter is ongoing.

Product Liability Litigation

Byetta® Product Liability

We have been named as a defendant in over 500 Byetta product liability lawsuits in the U.S. that were first initiated in March 2009 and involved over 800 plaintiffs. These lawsuits have been filed in various state and federal jurisdictions, including California state court (coordinated in Los Angeles County Superior Court), and various federal courts, the majority of which are coordinated in a multi-district litigation (MDL) in the U.S. District Court for the Southern District of California. The majority of these suits contain allegations that Byetta caused or contributed to the plaintiffs' cancer (primarily pancreatic cancer or thyroid cancer). The federal MDL and coordinated California state trial courts granted summary judgment in our favor on claims pertaining to pancreatic cancer, and the plaintiffs have dismissed Lilly from their appeal of the MDL ruling (the parties still await the order of judgment in the Los Angeles County Superior Court). Most of the MDL and state court lawsuits have been dismissed as of November 2022.

Environmental Proceedings

Under the Comprehensive Environmental Response, Compensation, and Liability Act, commonly known as "Superfund," we have been designated as one of several potentially responsible parties with respect to the cleanup of fewer than 10 sites. Under Superfund, each responsible party may be jointly and severally liable for the entire amount of the cleanup.

Other Matters

340B Litigation and Investigations

We are the plaintiff in a lawsuit filed in January 2021 in the U.S. District Court for the Southern District of Indiana against the U.S. Department of Health and Human Services (HHS), the Secretary of HHS, the Health Resources and Services Administration (HRSA), and the Administrator of HRSA. The lawsuit challenges the HHS's December 30, 2020 advisory opinion stating that drug manufacturers are required to deliver discounts under the 340B program to all contract pharmacies. We seek a declaratory judgment that the defendants violated the Administrative Procedures Act and the U.S. Constitution, a preliminary injunction enjoining implementation of the administrative dispute resolution process created by defendants and, with it, their application of the advisory opinion, and other related relief. In March 2021, the court entered an order preliminarily enjoining the government's enforcement of the administrative dispute resolution process against us. In May 2021, HRSA notified us that it determined that our policy was contrary to the 340B statute. In response, in May 2021, we filed a motion for preliminary injunction and temporary restraining order requesting that the U.S. District Court for the Southern District of Indiana enjoin defendants from taking any action against us relating to the 340B drug pricing program until after the court issues a final judgment on the aforementioned litigation. In May 2021, the court denied our motion for a temporary restraining order but deferred resolution of our motion for preliminary injunction. In June 2021, the defendants withdrew the HHS December 30, 2020 advisory opinion. In July 2021, the court held oral argument on the parties' cross motions for summary judgment, the defendants' motion to dismiss, and our motion for preliminary injunction related to HRSA's May 2021 enforcement letter. In October 2021, the court denied the defendants' motion to dismiss, and granted in part and denied in part the parties' cross motions for summary judgment. Both parties filed notices of appeal related to the court's summary judgment order. Oral argument took place in October 2022 in the U.S. Court of Appeals for the Seventh Circuit. This matter is ongoing.

In January 2021, we, along with other pharmaceutical manufacturers, were named as a defendant in a petition currently pending before the HHS Administrative Dispute Resolution Panel. Petitioner seeks declaratory and other injunctive relief related to the 340B program. As described above, the U.S. District Court for the Southern District of Indiana has entered a preliminary injunction enjoining the government's enforcement of this administrative dispute resolution process against us.

In July 2021, we, along with Sanofi-Aventis U.S., LLC (Sanofi), Novo Nordisk Inc. (Novo Nordisk), and AstraZeneca Pharmaceuticals LP, were named as a defendant in a purported class action lawsuit filed in the U.S. District Court for the Western District of New York by Mosaic Health, Inc. alleging antitrust and unjust enrichment claims related to the defendants' 340B distribution programs. We, with Sanofi and Novo Nordisk, filed a motion to dismiss the lawsuit, which was granted in September 2022. In October 2022, the plaintiffs filed a motion for leave to amend their complaint. This matter is ongoing.

We received a civil investigative subpoena in February 2021 from the Office of the Attorney General for the State of Vermont relating to the sale of pharmaceutical products to Vermont covered entities under the 340B program. We are cooperating with this subpoena.

Branchburg Manufacturing Facility

In May 2021, we received a subpoena from the U.S. Department of Justice requesting the production of certain documents relating to our manufacturing site in Branchburg, New Jersey. We are cooperating with the subpoena.

Brazil Litigation – Cosmopolis Facility

Labor Attorney Litigation

First initiated in 2008, our subsidiary in Brazil, Eli Lilly do Brasil Limitada (Lilly Brasil), is named in a Public Civil Action brought by the Labor Public Attorney (LPA) for the 15th Region in the Labor Court of Paulinia, State of Sao Paulo, Brazil, (the Labor Court) alleging possible harm to employees and former employees caused by alleged exposure to soil and groundwater contaminants at a former Lilly Brasil manufacturing facility in Cosmopolis, Brazil, operated by the company between 1977 and 2003. In May 2014, the Labor Court judge ruled against Lilly Brasil, ordering it to undertake several remedial and compensatory actions including health coverage for a class of individuals and certain of their children. In July 2018, the appeals court (TRT) generally affirmed our appeal of the Labor Court's ruling, which included a liquidated award of 300 million Brazilian real, which, when adjusted for inflation and the addition of pre and post judgment interest using the current Central Bank of Brazil's special system of clearance and custody rate, is approximately one billion Brazilian real (approximately $185 million as of September 30, 2022). In August 2019, Lilly Brasil filed an appeal to the superior labor court (TST) and in June 2021, the TRT published its decision on the admissibility of Lilly Brasil's appeal, allowing the majority of the elements, which were allowed to proceed in June 2021; elements not proceeding are subject to an interlocutory appeal to the TST that was filed in June 2021. In September 2019, the TRT stayed a number of elements of its trial court decision pending the determination of Lilly Brasil's appeal to the TST.

In June 2019 and September 2020, the LPA filed applications in the Labor Court for enforcement of certain remedies granted by the TRT in its July 2018 decision, requested restrictions on Lilly Brasil’s assets in Brazil, and required Lilly Brasil and Antibióticos do Brasil Ltda. (ABL) to submit a list of potential beneficiaries of the Public Civil Action. In July 2019, the Labor Court issued a ruling requiring a freeze of Lilly Brasil’s immovable property or, alternatively, a security deposit or lien of 500 million Brazilian real, which ruling was subsequently limited in scope and the security was reduced to 100 million Brazilian real. ABL and LPA appealed the June 2021 Labor Court ruling to the TST, which appeal is under review. The Labor Court is currently assessing the status of Lilly Brasil’s and ABL’s compliance with such portion of the July 2018 TRT decision and an inspection in the industrial plant is expected. These matters are ongoing.

Individual Former Employee Litigation

Lilly Brasil is also named in over 20 pending lawsuits filed in the Labor Court by individual former employees making similar claims. These individual lawsuits are at various stages in the litigation process.

Puerto Rico Tax Matter

In May 2013, the Municipality of Carolina in Puerto Rico (Municipality) filed a lawsuit against us alleging noncompliance with respect to a contract with the Municipality and seeking a declaratory judgment. In December 2020, the Puerto Rico Appellate Court (AP) reversed the summary judgment previously granted by the Court of First Instance (CFI) in our favor, dismissing the Municipality's complaint in its entirety. The AP remanded the case to the CFI for trial on the merits. The trial began in May 2022; however, the Municipality filed a new motion requesting the CFI to award damages. The request was denied by the CFI in our favor and the Municipality filed for revision at the AP, which we opposed, staying the case. This matter is ongoing.

Eastern District of Pennsylvania Pricing (Average Manufacturer Price) Inquiry

In November 2014, we, along with another pharmaceutical manufacturer, were named as co-defendants in *United States et al. ex rel. Streck v. Takeda Pharm. Am., Inc., et al.*, which was filed in November 2014 and unsealed in the U.S. District Court for the Northern District of Illinois. The complaint alleges that the defendants should have treated certain credits from distributors as retroactive price increases and included such increases in calculating average manufacturer prices. Following a trial in August 2022, the jury returned a verdict in favor of the plaintiff. The case is proceeding with post-trial motions after which the court will enter final judgment in the case. This matter is ongoing.

Health Choice Alliance

We are named as a defendant in two lawsuits filed in Texas and New Jersey state courts in October 2019 seeking damages under the Texas Medicaid Fraud Prevention Act and New Jersey Medicaid False Claims Act, respectively, for certain patient support programs related to our products Humalog, Humulin, and Forteo. The Texas state court action has been stayed. The New Jersey state court action was dismissed with prejudice pending an ongoing appeal before the Appellate Division of the New Jersey Superior Court. This matter is ongoing.

Pricing Litigation

In December 2017 and February 2018, we, along with Sanofi and Novo Nordisk, were named as defendants in a consolidated purported class action lawsuit, In re. Insulin Pricing Litigation and in MSP Recovery Claims, Series, LLC et al. v. Sanofi Aventis U.S. LLC et al., both filed in the U.S. District Court for the District of New Jersey. The cases relate to insulin pricing and seek damages or other relief under various theories, including state consumer protection laws, common law fraud, unjust enrichment, and the Federal Racketeer Influenced and Corrupt Organization Act (federal RICO Act). In both cases, the court dismissed claims under the federal RICO Act and certain state laws. In April 2021, the plaintiffs in In re. Insulin Pricing Litigation amended their complaint to allege additional state law claims for civil conspiracy and violations of state RICO statutes. The court allowed the Arizona RICO statute and certain state civil conspiracy law claims to proceed. Additionally in 2020, we, along with Sanofi, Novo Nordisk, CVS, Express Scripts, and Optum, have been sued in a putative class action, FWK Holdings, LLC v. Novo Nordisk Inc., et al., filed in the same court, for alleged violations of the federal RICO Act as well as the New Jersey RICO Act and antitrust law. The same group of defendants, along with Medco Health and United Health Group, also have been sued in other purported class actions in the same court, Rochester Drug Co-Operative Inc. v. Eli Lilly & Co. et al. and Value Drug Co. v. Eli Lilly & Co. et al., which were both initiated in March 2020, with the plaintiffs seeking damages for alleged violations of the federal RICO Act. In September 2020, the U.S. District Court for the District of New Jersey granted plaintiffs' motion to consolidate FWK Holdings, LLC v. Novo Nordisk Inc., et al., Rochester Drug Co-Operative Inc. v. Eli Lilly & Co. et al., and Value Drug Co. v. Eli Lilly & Co. et al. In July 2021, the U.S. District Court for the District of New Jersey dismissed the three antitrust claims alleged by plaintiffs in the consolidated litigation and denied dismissal of the federal RICO Act claims.

In October 2018, the Minnesota Attorney General's Office initiated litigation against us, Sanofi, and Novo Nordisk, State of Minnesota v. Sanofi-Aventis U.S. LLC et al., in the U.S. District Court for the District of New Jersey, seeking damages for unjust enrichment, violations of various Minnesota state consumer protection laws, and the federal RICO Act. In March 2021, the U.S. District Court for the District of New Jersey dismissed with prejudice the Minnesota Attorney General's federal RICO claims and false advertising claims under state law; the consumer fraud and other related state law claims remain ongoing. Additionally, in May 2019, the Kentucky Attorney General's Office filed a complaint against us, Sanofi, and Novo Nordisk, Commonwealth of Kentucky v. Novo Nordisk, Inc. et al., in Kentucky state court, alleging violations of the Kentucky consumer protection law, false advertising, and unjust enrichment.

In June 2021, the Mississippi Attorney General's Office initiated litigation against us, Sanofi, Novo Nordisk, Evernorth/ESI, CVS/Caremark, and United/Optum in the Hinds County, Mississippi Chancery Court, alleging state law consumer protection, unjust enrichment, and civil conspiracy claims. After the case was removed to federal court, we, along with the other defendants, filed a motion to dismiss the lawsuit, which was denied. This matter is ongoing.

In May 2022, the state of Arkansas filed suit against us Sanofi, Novo Nordisk, ESI, CVS/Caremark/Aetna, and Optum, asserting state law consumer protection, civil conspiracy, and unjust enrichment claims. The case has been removed to federal court and is ongoing.

In September 2022, the County of Albany, New York filed a suit against us, Sanofi, Novo Nordisk, Evernorth/ESI, CVS/Caremark and United/Optum asserting violations of federal RICO statute and state law claims for deceptive trade practices, unjust enrichment, and civil conspiracy. This matter is ongoing.

In September 2022, the State of Montana filed a suit against us, Sanofi, Novo Nordisk, Evernorth/ESI, Medco Health Solutions, CVS/Caremark and Optum asserting violations of the Montana Unfair Practices and Consumer Protection Act, unjust enrichment, and civil conspiracy. This matter is ongoing.

Investigations, Subpoenas, and Inquiries

In connection with the pricing and sale of our insulin and other products, we have been subject to various investigations and received subpoenas, civil investigative demand requests, information requests, interrogatories, and other inquiries from various governmental entities. These include subpoenas from the New York and Vermont Attorney General Offices, civil investigative demands from the Washington, New Mexico, Colorado, Illinois, Ohio Attorney General Offices, the Department of Justice and the Federal Trade Commission, as well as information requests from the Mississippi, Washington D.C., California, Florida, Hawaii, and Nevada Attorney General Offices. In January 2022, the Michigan Attorney General filed a petition in Michigan state court seeking authorization to investigate Lilly for potential violations of the Michigan Consumer Protection Act (MCPA), and a complaint seeking a declaratory judgment that the Attorney General has authority to investigate Lilly's sale of insulin under the MCPA. The court authorized the proposed investigation and the issuance of civil investigative subpoenas. In April 2022, the parties entered into a stipulation providing that the State will not issue any civil investigative subpoena to us under the MCPA until the declaratory judgment action is resolved. In July 2022, the court dismissed the case in its entirety. The Michigan Attorney General filed a notice of appeal and an application to obtain review by the Michigan Supreme Court, which remain pending.

We received a request in January 2019 from the House of Representatives' Committee on Oversight and Reform seeking commercial information and business records related to the pricing of insulin products, among other issues. We also received similar requests from the Senate Finance Committee and the Senate Committee on Health, Education, Labor, and Pensions, and separate requests from the House Committee on Energy and Commerce majority and minority members. In January 2021, the Senate Finance Committee released a report summarizing the findings of its investigation. In December 2021 the House of Representatives' Committee on Oversight and Reform majority and minority staffs released separate reports with findings from their investigations into drug pricing, including of insulin products.

We are cooperating with all of the aforementioned investigations, subpoenas, and inquiries.

Research Corporation Technologies, Inc.

In April 2016, we were named as a defendant in litigation filed by Research Corporation Technologies, Inc. (RCT) in the U.S. District Court for the District of Arizona. RCT is seeking damages for breach of contract, unjust enrichment, and conversion related to processes used to manufacture certain products, including Humalog and Humulin. In October 2021, the court issued a summary judgment decision finding in favor of RCT on certain issues, including with respect to a disputed royalty. Both parties filed motions for reconsideration, which were denied. We filed supplemental summary judgment motions. A trial date has not been set. Potential damages payable under the litigation, if finally awarded after an appeal, could be material but are not currently reasonably estimable. This matter is ongoing.

Note 10: Other Comprehensive Income (Loss)

The following tables summarize the activity related to each component of other comprehensive income (loss) during the three months ended September 30, 2022 and 2021:

(Amounts presented net of taxes)	Foreign Currency Translation Gains (Losses)	Unrealized Net Gains (Losses) on Securities	Defined Benefit Pension and Retiree Health Benefit Plans	Effective Portion of Cash Flow Hedges	Accumulated Other Comprehensive Loss
Balance at July 1, 2022	**$ (1,844.2)**	**$ (27.9)**	**$ (2,443.2)**	**$ 27.6**	**$ (4,287.7)**
Other comprehensive income (loss) before reclassifications	**(165.1)**	**(24.9)**	**47.8**	**63.0**	**(79.2)**
Net amount reclassified from accumulated other comprehensive loss	**—**	**13.5**	**57.2**	**0.4**	**71.1**
Net other comprehensive income (loss)	**(165.1)**	**(11.4)**	**105.0**	**63.4**	**(8.1)**
Balance at September 30, 2022	**$ (2,009.3)**	**$ (39.3)**	**$ (2,338.2)**	**$ 91.0**	**$ (4,295.8)**

(Amounts presented net of taxes)	Foreign Currency Translation Gains (Losses)	Unrealized Net Gains (Losses) on Securities	Defined Benefit Pension and Retiree Health Benefit Plans	Effective Portion of Cash Flow Hedges	Accumulated Other Comprehensive Loss
Balance at July 1, 2021	$ (1,516.2)	$ 9.1	$ (4,569.9)	$ (210.1)	$ (6,287.1)
Other comprehensive income (loss) before reclassifications	(8.0)	(2.4)	18.6	16.8	25.0
Net amount reclassified from accumulated other comprehensive loss	—	0.1	86.0	3.3	89.4
Net other comprehensive income (loss)	(8.0)	(2.3)	104.6	20.1	114.4
Balance at September 30, 2021	$ (1,524.2)	$ 6.8	$ (4,465.3)	$ (190.0)	$ (6,172.7)

The following tables summarize the activity related to each component of other comprehensive income (loss) during the nine months ended September 30, 2022 and 2021:

(Amounts presented net of taxes)	Foreign Currency Translation Gains (Losses)	Unrealized Net Gains (Losses) on Securities	Defined Benefit Pension and Retiree Health Benefit Plans	Effective Portion of Cash Flow Hedges	Accumulated Other Comprehensive Loss
Balance at January 1, 2022	**$ (1,550.2)**	**$ 3.7**	**$ (2,583.6)**	**$ (213.0)**	**$ (4,343.1)**
Other comprehensive income (loss) before reclassifications	**(459.7)**	**(55.5)**	**72.9**	**297.2**	**(145.1)**
Net amount reclassified from accumulated other comprehensive loss	**0.6**	**12.5**	**172.5**	**6.8**	**192.4**
Net other comprehensive income (loss)	**(459.1)**	**(43.0)**	**245.4**	**304.0**	**47.3**
Balance at September 30, 2022	**$ (2,009.3)**	**$ (39.3)**	**$ (2,338.2)**	**$ 91.0**	**$ (4,295.8)**

(Amounts presented net of taxes)	Foreign Currency Translation Gains (Losses)	Unrealized Net Gains (Losses) on Securities	Defined Benefit Pension and Retiree Health Benefit Plans	Effective Portion of Cash Flow Hedges	Accumulated Other Comprehensive Loss
Balance at January 1, 2021	$ (1,427.5)	$ 14.8	$ (4,751.0)	$ (332.7)	$ (6,496.4)
Other comprehensive income (loss) before reclassifications	(96.7)	(8.8)	27.2	132.8	54.5
Net amount reclassified from accumulated other comprehensive loss	—	0.8	258.5	9.9	269.2
Net other comprehensive income (loss)	(96.7)	(8.0)	285.7	142.7	323.7
Balance at September 30, 2021	$ (1,524.2)	$ 6.8	$ (4,465.3)	$ (190.0)	$ (6,172.7)

The tax effects on the net activity related to each component of other comprehensive income (loss) were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
Tax benefit (expense)	**2022**	**2021**	**2022**	**2021**
Foreign currency translation gains/losses	**$ (133.3)**	$ (39.0)	**$ (234.2)**	$ (92.3)
Unrealized net gains/losses on securities	**3.4**	0.8	**13.1**	3.8
Defined benefit pension and retiree health benefit plans	**(22.4)**	(28.2)	**(73.2)**	(79.7)
Effective portion of cash flow hedges	**(16.9)**	(5.4)	**(80.8)**	(37.9)
Benefit (expense) for income taxes allocated to other comprehensive income (loss) items	**$ (169.2)**	$ (71.8)	**$ (375.1)**	$ (206.1)

Except for the tax effects of foreign currency translation gains and losses related to our foreign currency-denominated notes, cross-currency interest rate swaps, and other foreign currency exchange contracts designated as net investment hedges (see Note 6), income taxes were not provided for foreign currency translation. Generally, the assets and liabilities of foreign operations are translated into U.S. dollars using the current exchange rate. For those operations, changes in exchange rates generally do not affect cash flows; therefore, resulting translation adjustments are made in shareholders' equity rather than in the consolidated condensed statements of operations.

Reclassifications out of accumulated other comprehensive loss were as follows:

Details about Accumulated Other Comprehensive Loss Components	**Three Months Ended September 30,**		**Nine Months Ended September 30,**		**Affected Line Item in the Consolidated Condensed Statements of Operations**
	2022	**2021**	**2022**	**2021**	
Amortization of retirement benefit items:					
Prior service benefits, net	**$ (13.1)**	$ (13.9)	**$ (39.2)**	$ (41.5)	Other–net, (income) expense
Actuarial losses, net	**85.5**	122.7	**257.5**	368.7	Other–net, (income) expense
Total before tax	**72.4**	108.8	**218.3**	327.2	
Tax benefit	**(15.2)**	(22.8)	**(45.8)**	(68.7)	Income taxes
Net of tax	**57.2**	86.0	**172.5**	258.5	
Other, net of tax	**13.9**	3.4	**19.9**	10.7	Other–net, (income) expense
Total reclassifications, net of tax	**$ 71.1**	$ 89.4	**$ 192.4**	$ 269.2	

Note 11: Other–Net, (Income) Expense

Other–net, (income) expense consisted of the following:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	**2021**	**2022**	**2021**
Interest expense	**$ 81.5**	$ 83.6	**$ 247.6**	$ 258.4
Interest income	**(20.1)**	(7.0)	**(37.3)**	(18.0)
Net investment (gains) losses on equity securities (Note 6)	**123.3**	246.8	**667.6**	(270.1)
Retirement benefit plans	**(92.4)**	(72.6)	**(280.0)**	(217.1)
Debt extinguishment loss (Note 6)	**—**	405.2	**—**	405.2
Other (income) expense	**18.7**	(20.1)	**(17.0)**	(34.1)
Other–net, (income) expense	**$ 111.0**	$ 635.9	**$ 580.9**	$ 124.3

Item 2. Management's Discussion and Analysis of Results of Operations and Financial Condition

Results of Operations

(Tables present dollars in millions, except per-share data)

General

Management's discussion and analysis of results of operations and financial condition is intended to assist the reader in understanding and assessing significant changes and trends related to the results of operations and financial position of our consolidated company. This discussion and analysis should be read in conjunction with the consolidated condensed financial statements and accompanying footnotes in Part I, Item 1 of this Quarterly Report on Form 10-Q. Certain statements in this Part I, Item 2 of this Quarterly Report on Form 10-Q constitute forward-looking statements. Various risks and uncertainties, including those discussed in "Forward-Looking Statements" in this Quarterly Report on Form 10-Q and "Risk Factors" in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2021, may cause our actual results, financial position, and cash generated from operations to differ materially from these forward-looking statements.

Executive Overview

This section provides an overview of our financial results, recent product and late-stage pipeline developments, and other matters affecting our company and the pharmaceutical industry. Earnings per share (EPS) data are presented on a diluted basis.

COVID-19 Pandemic

In response to the COVID-19 pandemic, we have focused on maintaining a supply of our medicines; reducing the strain on the medical system; developing treatments for COVID-19; protecting the health, safety, and well-being of our employees; supporting our communities; and ensuring affordability of and access to our medicines, particularly insulin.

We have received various regulatory authorizations, including Emergency Use Authorizations (EUA), for our COVID-19 therapies. We supplied the United States (U.S.) government approximately 810,000 doses of bebtelovimab during the nine months ended September 30, 2022. Beginning in the third quarter of 2022 and in collaboration with the U.S. government, we have made bebtelovimab commercially available for purchase by U.S. states/territories, hospitals, and certain other providers. We do not anticipate any further U.S. government orders. The U.S. Food and Drug Administration (FDA) has revised, and may in the future revise, any EUA for our COVID-19 therapies in response to the prevalence of variants against which our therapies have varying degrees of efficacy, including the new BQ variants. Based on early data, we do not believe that bebtelovimab will neutralize against the new BQ variants.

The COVID-19 pandemic has, and may continue to, adversely impact our business and operations. Strain on global transportation, logistics, manufacturing, and labor markets, including as aggravated by the pandemic and global unrest, the focus of resources on COVID-19, protective measures implemented to control the spread of COVID-19, and an increase in overall demand in our industry for certain resources and medicines, resulting in changed buying patterns, increased costs, and constrained supply, have negatively impacted and may continue to negatively impact the development, manufacturing, supply, distribution, and sales of our medicines.

The degree to which the COVID-19 pandemic and related challenges impact the development, manufacturing, supply, distribution, and sale of our medicines will depend on developments that are highly uncertain and beyond our knowledge or control.

Product Supply

Continued strong demand for Trulicity® in U.S. and international markets, partially due to the ongoing limited availability of competitor therapies, has challenged, and is expected to continue to challenge, our ability to meet demand in most international markets. In the U.S., as demand for Trulicity has continued to exceed historical levels, we anticipate tight supplies will persist until additional manufacturing capacity is operationalized, and U.S. wholesalers may experience intermittent restocking delays of Trulicity orders. Outside the U.S., we have implemented certain actions to minimize the impact to existing patients, but we expect to experience intermittent disruptions in our supply of Trulicity in international markets.

In addition, the uptake of Mounjaro® for type 2 diabetes following its launch in the U.S. has been very strong. We continue to carefully monitor demand, incretin competitor availability, and supply with a focus on access for Type 2 diabetes patients.

We anticipate that additional internal and contracted manufacturing capacity will become fully operational around the world in the next several years, with significant expansion in 2023, as part of our ongoing efforts to meet the significant demand for our incretin medicines.

See "Risk Factors" in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2021 for additional information on risk factors that could impact our business and operations.

Financial Results

The following table summarizes our key operating results:

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2022	2021	Percent Change	2022	2021	Percent Change
Revenue	**$ 6,941.6**	$ 6,772.8	2	**$ 21,239.6**	$ 20,318.5	5
Gross margin	**5,362.5**	5,342.0	—	**16,157.9**	15,055.9	7
Gross margin as a percent of revenue	**77.3 %**	78.9 %		**76.1 %**	74.1 %	
Research and development	**$ 1,802.9**	$ 1,705.3	6	**$ 5,194.9**	$ 5,032.4	3
Marketing, selling, and administrative	**1,614.2**	1,577.9	2	**4,797.2**	4,839.6	(1)
Acquired in-process research and development (IPR&D) and development milestones	**62.4**	177.6	(65)	**668.4**	532.4	26
Asset impairment, restructuring, and other special charges	**206.5**	—	NM	**206.5**	211.6	(2)
Other–net, (income) expense	**111.0**	635.9	(83)	**580.9**	124.3	NM
Net income	**1,451.7**	1,110.1	31	**4,307.1**	3,855.6	12
EPS - diluted	**1.61**	1.22	32	**4.76**	4.23	13

NM - not meaningful

Revenue increased for the three and nine months ended September 30, 2022, driven by increased volume, partially offset by lower realized prices and the unfavorable impact of foreign exchange rates. Research and development expenses increased for the three and nine months ended September 30, 2022, primarily driven by higher development expenses for late-stage assets, partially offset by lower development expenses for COVID-19 antibodies and the favorable impact of foreign exchange rates. Marketing, selling, and administrative expenses increased for the three months ended September 30, 2022, primarily driven by increased costs associated with the launch of Mounjaro, partially offset by the favorable impact of foreign exchange rates. Marketing, selling, and administrative expenses decreased for the nine months ended September 30, 2022, primarily driven by the favorable impact of foreign exchange rates as well as reduced marketing costs in the first half of 2022, partially offset by increased costs associated with the launch of Mounjaro.

The following highlighted items also affect comparisons of our financial results for the three and nine months ended September 30, 2022 and 2021:

2022

Acquired IPR&D and Development Milestones (See Note 3 to the consolidated condensed financial statements)

- We recognized $62.4 million and $668.4 million of acquired IPR&D and development milestones for the three and nine months ended September 30, 2022, respectively. The charges for the nine months ended September 30, 2022 included the buy-out of substantially all future obligations that were contingent upon the occurrence of certain events linked to the success of our mutant-selective PI3kα inhibitor and a purchase of a Priority Review Voucher.

Asset Impairment, Restructuring, and Other Special Charges (See Note 5 to the consolidated condensed financial statements)

- We recognized charges of $206.5 million for the three and nine months ended September 30, 2022, primarily related to an intangible asset impairment for GBA1 Gene Therapy (PR001) due to changes in estimated launch timing.

Other-Net, (Income) Expense (See Note 11 to the consolidated condensed financial statements)

- We recognized $123.3 million and $667.6 million of net investment losses on equity securities for the three and nine months ended September 30, 2022, respectively.

2021

Cost of Sales (See Note 5 to the consolidated condensed financial statements)

- We recognized a net inventory impairment charge related to our COVID-19 antibodies of $435.1 million for the nine months ended September 30, 2021. As part of our response to the COVID-19 pandemic, and at the request of the U.S. and international governments, we invested in large-scale manufacturing of COVID-19 antibodies at risk, in order to ensure rapid access to patients around the world. As the COVID-19 pandemic evolved during 2021, we incurred a net inventory impairment charge primarily due to the combination of changes to demand from U.S. and international governments, including changes to our agreement with the U.S. government, and near-term expiry dates of COVID-19 antibodies.

Acquired IPR&D and Development Milestones (See Note 3 to the consolidated condensed financial statements)

- We recognized $177.6 million and $532.4 million of acquired IPR&D and development milestones for the three and nine months ended September 30, 2021, respectively. The charges for the nine months ended September 30, 2021 included acquired IPR&D charges resulting from business development transactions with Rigel Pharmaceuticals, Inc. (Rigel) and Precision Biosciences, Inc. (Precision).

Asset Impairment, Restructuring, and Other Special Charges (See Note 5 to the consolidated condensed financial statements)

- We recognized charges of $211.6 million for the nine months ended September 30, 2021, primarily related to an intangible asset impairment resulting from the sale of the rights to Qbrexza®, as well as acquisition and integration costs associated with the acquisition of Prevail Therapeutics Inc. (Prevail).

Other-Net, (Income) Expense (See Note 11 to the consolidated condensed financial statements)

- We recognized a debt extinguishment loss of $405.2 million related to the repurchase of debt for the three and nine months ended September 30, 2021.
- We recognized $246.8 million of net investment losses on equity securities for the three months ended September 30, 2021. We recognized $270.1 million of net investment gains on equity securities for the nine months ended September 30, 2021.

Late-Stage Pipeline

Our long-term success depends on our ability to continually discover or acquire, develop, and commercialize innovative new medicines. We currently have approximately 45 new medicine candidates in clinical development or under regulatory review, and a larger number of projects in the discovery phase.

The following certain new molecular entities (NMEs) are currently in Phase II or Phase III clinical trials or have been submitted for regulatory review or have received regulatory approval in the U.S., Europe, or Japan. The following table reflects the status of these NMEs, including certain other developments since our Annual Report on Form 10-K for the year ended December 31, 2021.

Compound	Indication	Status	Developments
Diabetes			
Tirzepatide (Mounjaro)	Type 2 diabetes	Approved	Approved in the U.S. in the second quarter of 2022 and in Europe and Japan in the third quarter of 2022.
	Heart failure with preserved ejection fraction	Phase III	Phase III trials are ongoing.
	Obesity	Phase III	Granted FDA Fast Track designation[(1)] in October 2022. Announced in the second quarter of 2022 that the initial Phase III trial met co-primary and all key secondary endpoints. Phase III trials are ongoing.
	Obstructive sleep apnea	Phase III	Phase III trial initiated in the third quarter of 2022.
	Nonalcoholic steatohepatitis	Phase II	Phase II trial is ongoing.
Basal Insulin-Fc	Type 1 and 2 diabetes	Phase III	Phase III trials initiated in the first, second, and third quarters of 2022.
Orforglipron (GLP-1R NPA)	Obesity Type 2 diabetes	Phase II	Phase II trials are ongoing.
Retatrutide (GGG Tri-Agonist)	Obesity Type 2 diabetes	Phase II	Phase II trials are ongoing.
Immunology			
Lebrikizumab[(2)]	Atopic dermatitis	Submitted	Granted FDA Fast Track designation[(1)]. Submitted in the U.S. in the third quarter of 2022 and in Europe in October 2022. Phase III trials are ongoing.
Mirikizumab	Ulcerative colitis	Submitted	Submitted in the U.S. in first quarter of 2022 and in Europe and Japan in the second quarter of 2022.
	Crohn's Disease	Phase III	Phase III trials are ongoing.
ANGPTL3 siRNA	Cardiovascular disease	Phase II	Phase II trial initiated in the third quarter of 2022.
BTLA MAB Agonist	Systemic lupus erythematosus	Phase II	Phase II trial initiated in the second quarter of 2022.
CXCR1/2 Ligands Monoclonal Antibody	Hidradenitis suppurativa	Phase II	Phase II trial is ongoing.
Peresolimab (PD-1 MAB Agonist)	Rheumatoid arthritis	Phase II	Phase II trial is ongoing.
Rezpegaldesleukin (IL-2 Conjugate)	Systemic lupus erythematosus	Phase II	Phase II trial is ongoing.

Compound	Indication	Status	Developments
Neuroscience			
Donanemab	Early Alzheimer's disease	Submitted	Granted FDA Breakthrough Therapy designation[3]. Submitted in the U.S. in the second quarter of 2022. Received Priority Review designation under the accelerated approval pathway. Phase III trials are ongoing.
	Preclinical Alzheimer's disease	Phase III	Phase III trial is ongoing.
Remternetug	Early Alzheimer's disease	Phase III	Phase III trial initiated in the third quarter of 2022.
Solanezumab	Preclinical Alzheimer's disease	Phase III	Phase III trial is ongoing.
GBA1 Gene Therapy (PR001)	Parkinson's disease	Phase II	Granted FDA Fast Track designation[1]. Phase II trial is ongoing.
GRN Gene Therapy (PR006)	Frontotemporal dementia	Phase II	Granted FDA Fast Track designation[1]. Phase II trial is ongoing.
O-GlcNAcase Inh	Alzheimer's disease	Phase II	Phase II trial is ongoing.
SSTR4 Agonist	Pain	Phase II	Phase II trials are ongoing.
TRPA1 Antagonist	Pain	Phase II	Phase II trials are ongoing.
PACAP38 Antibody	Migraine	Discontinued	In the third quarter of 2022 based on the results of the Phase II trial, we discontinued development.
Oncology			
Selpercatinib (Retevmo®)	Lung cancer	Approved[4]	Phase III trials are ongoing. In the third quarter of 2022, the FDA granted accelerated approval in tumor-agnostic RET fusion-positive advanced or metastatic solid tumors and traditional approval in locally advanced or metastatic RET fusion-positive non-small cell lung cancer.
	Thyroid cancer	Approved[4]	Phase III trial is ongoing.
Pirtobrutinib (LOXO-305)	Mantle cell lymphoma	Submitted	Submitted in the U.S. in second quarter of 2022. Received Priority Review designation under the accelerated approval pathway. Phase III trial is ongoing.
	Chronic lymphocytic leukemia	Phase III	Phase III trials are ongoing.
	B-cell malignancies	Phase II	Phase II trial is ongoing.
Imlunestrant	ER+HER2- metastatic breast cancer	Phase III	Phase III trial is ongoing.

[1] Fast Track designation is designed to facilitate the development and expedite the review of medicines to treat serious conditions and fill an unmet medical need.
[2] In collaboration with Almirall, S.A. in Europe.
[3] Breakthrough Therapy designation is designed to expedite the development and review of potential medicines that are intended to treat a serious condition where preliminary clinical evidence indicates that the treatment may demonstrate substantial improvement over available therapy on a clinically significant endpoint.
[4] Continued approval may be contingent on verification and description of clinical benefit in confirmatory Phase III trials.

Our pipeline also contains several new indication line extension (NILEX) products. The following certain NILEX products for use in the indication described are currently in Phase II or Phase III clinical trials or have been submitted for regulatory review or have received regulatory approval in the U.S., Europe, or Japan. The following table reflects the status of these NILEX products, including certain other developments since our Annual Report on Form 10-K for the year ended December 31, 2021.

Compound	Indication	Status	Developments
Diabetes			
Empagliflozin (Jardiance®)[1]	Heart failure with preserved ejection fraction	Approved	Approved in the U.S. and Europe in the first quarter of 2022 and in Japan in the second quarter of 2022.
	Chronic kidney disease	Phase III	Granted FDA Fast Track designation[2]. In the first quarter of 2022 the Independent Data Monitoring Committee recommended stopping the Phase III trial early due to clear positive efficacy.
Immunology			
Baricitinib (Olumiant®)	Alopecia areata	Approved	Approved in the U.S., Europe, and Japan in the second quarter of 2022.
	COVID-19	Approved	Approved in the U.S. in the second quarter of 2022.
Oncology			
Abemaciclib (Verzenio®)	Prostate cancer	Phase III	Phase III trials are ongoing.

[1] In collaboration with Boehringer Ingelheim.
[2] Fast Track designation is designed to facilitate the development and expedite the review of medicines to treat serious conditions and fill an unmet medical need.

Other Matters

Patent Matters

We depend on patents or other forms of intellectual property protection for most of our revenue, cash flows, and earnings.

Following the June 2021 loss of patent exclusivity for Alimta® in Europe and Japan, we faced, and expect to continue to face, generic competition that has rapidly and severely eroded revenue, and we expect will continue to erode revenue from current levels. In addition, as a result of the entry of multiple generics in the U.S. following the loss of patent and pediatric exclusivity in May 2022, we began facing, and expect to continue to face, additional generic competition that has eroded revenue, and we expect will continue to rapidly and severely erode revenue from current levels. This decline in revenue has had and will have a material adverse effect on our consolidated results of operations and cash flows. See Note 9 to the consolidated condensed financial statements for a description of legal proceedings currently pending regarding certain of our patents.

Our compound patents for Humalog® (insulin lispro) have expired in the U.S. and major international markets, and we have also introduced lower-priced versions of Humalog as part of our insulin affordability solutions. A competitor has a similar version of insulin lispro in the U.S. and in certain European markets. Due to the impact of competition and pricing pressure in the U.S. and some international markets, we expect that lower revenue due to realized price decline will continue over time.

Our formulation and use patents for Forteo® have expired in major markets. We expect further decline in revenue as a result of the entry of generic and biosimilar competition due to the loss of patent exclusivity in major markets.

Foreign Currency Exchange Rates

As a global company, we face foreign currency risk exposure from fluctuating currency exchange rates, primarily the U.S. dollar against the euro, Japanese yen, and Chinese yuan. While we seek to manage a portion of these exposures through hedging and other risk management techniques, significant fluctuations in currency rates can have a material impact, either positive or negative, on our consolidated results of operations in any given period. During the three and nine months ended September 30, 2022, revenue was unfavorably impacted by 4 percent and 3 percent, respectively, due to foreign exchange rates. While there is uncertainty in the future movements in foreign exchange rates, fluctuations in these rates have, and we currently expect in the near-term future will, adversely impact our consolidated results of operations and cash flows.

Trends Affecting Pharmaceutical Pricing, Reimbursement, and Access

Global concern over access to and affordability of pharmaceutical products continues to drive regulatory and legislative debate and action, as well as worldwide cost containment efforts by governmental authorities. Such measures include the use of mandated discounts, price reporting requirements, mandated reference prices, restrictive formularies, changes to available intellectual property protections, as well as other efforts. In August 2022, the U.S. government enacted the Inflation Reduction Act (IRA). Among other measures, the IRA will allow the U.S. Department of Health and Human Services to effectively set prices for certain single-source drugs and biologics reimbursed under Medicare Part B and Part D. Generally, these government prices apply nine (medicines approved under a New Drug Application) or thirteen (medicines approved under a Biologics License Application) years following initial FDA approval and will be capped at a statutory ceiling price that is likely to represent a significant discount from average prices to wholesalers and direct purchasers. It is too soon to tell how the U.S. government will set these prices as the law specifies a ceiling price, but not a minimum or floor price. One or more significant Lilly products may be selected, which would have the effect of accelerating revenue erosion prior to patent expiry. The effect of reducing prices and reimbursement for certain of our products could significantly impact our business and consolidated results of operations.

Other of the IRA's provisions provide for penalties on drug manufacturers that increase prices of certain Medicare Part B and Part D medicines at a rate greater than the rate of inflation and replace the Part D coverage gap discount program with a new manufacturer discounting program. Manufacturers that fail to comply with the IRA may be subject to various penalties, including civil monetary penalties. The IRA takes effect progressively starting in 2023, with the first government set prices effective in 2026. The IRA may meaningfully influence our and pharmaceutical industry business strategies. In particular it may reduce the attractiveness of investment in small molecule innovation. Provisions of the IRA may be subject to legal challenges or other reformation, and the full effect of the IRA on our business and the pharmaceutical industry remains uncertain. Additional policies, regulations, legislation, or enforcement, including those proposed and/or pursued by the U.S. Congress and executive branch of the U.S. administration and other regulatory authorities worldwide, could adversely impact our business and consolidated results of operations.

Consolidation of private payors in the U.S. has also significantly impacted the market for pharmaceuticals by increasing payor leverage in negotiating manufacturer price concessions and pharmacy reimbursement rates. Furthermore, restrictive or unfavorable pricing, coverage, or reimbursement determinations for our medicines or product candidates by governments, regulatory agencies, courts, or private payers, such as the Centers for Medicare & Medicaid Services' National Coverage Determination for monoclonal antibodies for the treatment of Alzheimer's Disease, may adversely impact our business and consolidated results of operations. We expect that these actions may intensify and could particularly affect certain products, such as insulin, as governments manage and emerge from the COVID-19 pandemic, which could adversely affect our business. In addition, we are engaged in litigation and investigations related to our 340B program and access to insulin that, if resolved adversely to us, could negatively impact our business and consolidated results of operations. It is not currently possible to predict the overall potential adverse impact to us or the general pharmaceutical industry of continued cost containment efforts worldwide.

Evolving regulatory priorities have also intensified governmental scrutiny of our operations and our industry, including with respect to current Good Manufacturing Practices, quality assurance, and similar regulations, and increased focus on business combinations in our industry. Any regulatory issues concerning these matters could lead to regulatory and legal actions, product recalls and seizures, fines and penalties, interruption of production leading to product shortages, import bans or denials of import certifications, delays or denials in the approvals of new products or supplemental approvals of current products pending resolution of the issues, impediments to the completion of business combinations, and reputational harm, any of which would adversely affect our business.

See "Business - Regulations and Private Payer Actions Affecting Pharmaceutical Pricing, Reimbursement, and Access" in Part I, Item 1 and "Risk Factors" in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2021. See also Note 9 to the consolidated condensed financial statements.

Tax Matters

We are subject to income taxes and various other taxes in the U.S. and in many foreign jurisdictions; therefore, changes in both domestic and international tax laws or regulations have affected and may affect our effective tax rate, results of operations, and cash flows. In 2017, the U.S. enacted the Tax Cuts and Jobs Act (the 2017 Tax Act), which contains a provision that requires capitalization and amortization of research and development expenses for tax purposes starting in 2022. Previously, these expenses could be deducted in the year incurred. The implementation of this provision has increased, and is expected to continue to increase, our 2022 cash payments of income taxes and subsequently decrease our cash payments of income taxes moderately over the five-year amortization period. We expect the implementation of this provision to impact our 2022 cash payments of income taxes by up to $1.50 billion. For the three and nine months ended September 30, 2022, the implementation of this provision favorably impacted other tax items that decreased our effective tax rate by approximately 4 percentage points. If this provision of the 2017 Tax Act is deferred or repealed by the U.S. Congress effective for 2022, we expect our effective tax rate to be approximately 13 percent to 14 percent for 2022.

The U.S. and countries around the world are actively considering and enacting tax law changes. Tax proposals have been introduced by the U.S. Congress and the U.S. administration containing significant changes, including increases to the tax rates at which both domestic and foreign income of U.S. companies would be taxed. In addition, tax authorities in the U.S. and other jurisdictions in which we do business routinely examine our tax returns and are intensifying their scrutiny and examinations of profit allocations among jurisdictions. Further, actions taken with respect to tax-related matters by associations, such as the Organisation for Economic Co-operation and Development and the European Commission, could influence tax laws in countries in which we operate. Changes to existing tax law and increased scrutiny by tax authorities in the U.S. and other jurisdictions could adversely impact our future consolidated results of operations and cash flows.

Acquisitions

We opportunistically invest in external research and technologies that we believe complement and strengthen our own efforts. These investments can take many forms, including acquisitions, collaborations, investments, and licensing arrangements. We view our business development activity as a way to enhance our pipeline and strengthen our business.

See Note 3 to the consolidated condensed financial statements for further discussion regarding our recent acquisitions.

Revenue

The following table summarizes our revenue activity by region:

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2022	2021	Percent Change	2022	2021	Percent Change
U.S.	**$ 4,422.1**	$ 3,989.6	11	**$ 13,531.5**	$ 11,635.1	16
Outside U.S.	**2,519.4**	2,783.3	(9)	**7,708.1**	8,683.4	(11)
Revenue	**$ 6,941.6**	$ 6,772.8	2	**$ 21,239.6**	$ 20,318.5	5

Numbers may not add due to rounding.

The following are components of the change in revenue compared with the prior year:

	Three Months Ended September 30, 2022 vs. 2021			Nine Months Ended September 30, 2022 vs. 2021		
	U.S.	Outside U.S.	Consolidated	U.S.	Outside U.S.	Consolidated
Volume	15 %	13 %	14 %	20 %	7 %	15 %
Price	(4)	(12)	(7)	(4)	(11)	(7)
Foreign exchange rates	—	(11)	(4)	—	(7)	(3)
Percent change	11 %	(9)%	2 %	16 %	(11)%	5 %

Numbers may not add due to rounding.

In the U.S. for the three and nine months ended September 30, 2022, the increase in volume was primarily driven by COVID-19 antibodies, Trulicity, Verzenio, Jardiance, Taltz®, and Mounjaro, partially offset by decreased volume for Alimta, resulting from the entry of multiple generics in the second quarter of 2022, and for Olumiant, due to the decline in utilization for COVID-19 treatment. In the U.S. for the three and nine months ended September 30, 2022, the decrease in realized prices was primarily driven by Humalog, due to a list price reduction of insulin lispro injection and unfavorable segment mix, and by Trulicity, due to unfavorable segment mix and higher contracted rebates. In the U.S. for the three months ended September 30, 2022, the decrease in realized prices for Trulicity was partially offset by changes to estimates for rebates and discounts.

Outside the U.S. for the three and nine months ended September 30, 2022, the increase in volume was primarily driven by Verzenio, Trulicity, Tyvyt®, Jardiance, and Taltz, partially offset by Alimta and Cymbalta® resulting from generic competition. Additionally outside the U.S. for the three and nine months ended September 30, 2022, we recognized revenue related to a sales collaboration agreement for the right to sell and distribute Mounjaro in Japan. Outside the U.S. for the nine months ended September 30, 2022, the increase in volume was also partially offset by decreased sales of COVID-19 antibodies and the sale of the rights to Cialis® in China in the second quarter of 2021. Outside the U.S. for the three and nine months ended September 30, 2022, the decrease in realized prices was primarily driven by the impact of government pricing in China from the National Reimbursement Drug List (NRDL) formulary for certain products, particularly Tyvyt and Verzenio, and volume-based procurement (VBP) for Humalog.

The following table summarizes our revenue activity by product for the three months ended September 30, 2022 and 2021:

	Three Months Ended September 30,				
	2022			2021	
Product	**U.S.**	**Outside U.S.**	**Total**	**Total**	**Percent Change**
Trulicity	**$ 1,418.3**	**$ 432.0**	**$ 1,850.4**	$ 1,600.1	16
Taltz	**493.8**	**186.1**	**679.9**	593.1	15
Verzenio	**414.8**	**202.9**	**617.7**	335.5	84
Jardiance[(1)]	**350.9**	**222.4**	**573.3**	390.4	47
Humalog[(2)]	**248.1**	**198.8**	**447.0**	626.7	(29)
COVID-19 antibodies[(3)]	**386.6**	**—**	**386.6**	217.1	78
Humulin®	**169.5**	**68.7**	**238.2**	286.7	(17)
Cyramza®	**87.5**	**144.6**	**232.1**	253.4	(8)
Basaglar®	**124.8**	**68.1**	**193.0**	192.8	—
Mounjaro	**97.3**	**90.0**	**187.3**	—	NM
Olumiant[(4)]	**22.9**	**160.0**	**182.9**	406.9	(55)
Forteo	**112.7**	**64.4**	**177.1**	200.9	(12)
Emgality®	**114.0**	**54.6**	**168.5**	140.0	20
Erbitux®	**126.3**	**18.7**	**144.9**	134.3	8
Alimta	**64.6**	**54.8**	**119.4**	457.0	(74)
Cialis	**8.1**	**107.7**	**115.7**	130.9	(12)
Zyprexa®	**8.0**	**73.4**	**81.4**	101.7	(20)
Tyvyt	**—**	**76.8**	**76.8**	125.6	(39)
Cymbalta	**7.8**	**54.9**	**62.7**	132.0	(53)
Other products	**166.1**	**240.5**	**406.7**	447.7	(9)
Revenue	**$ 4,422.1**	**$ 2,519.4**	**$ 6,941.6**	$ 6,772.8	2

Numbers may not add due to rounding.
NM - not meaningful
(1) Jardiance revenue includes Glyxambi®, Synjardy®, and Trijardy® XR.
(2) Humalog revenue includes insulin lispro.
(3) COVID-19 antibodies include sales for bamlanivimab administered alone, for bamlanivimab and etesevimab administered together, and for bebtelovimab and were made pursuant to EUAs or similar regulatory authorizations.
(4) Olumiant revenue includes sales for baricitinib that were made pursuant to EUA or similar regulatory authorizations.

The following table summarizes our revenue activity by product for the nine months ended September 30, 2022 and 2021:

	Nine Months Ended September 30,				
	2022			2021	
Product	U.S.	Outside U.S.	Total	Total	Percent Change
Trulicity	$ 4,162.4	$ 1,341.1	$ 5,503.5	$ 4,588.2	20
COVID-19 antibodies[1]	1,970.9	14.7	1,985.5	1,176.2	69
Taltz	1,212.6	561.6	1,774.2	1,565.4	13
Verzenio	1,100.5	575.1	1,675.6	945.8	77
Humalog[2]	855.8	656.4	1,512.3	1,851.3	(18)
Jardiance[3]	831.4	622.4	1,453.7	1,058.9	37
Humulin	562.3	223.1	785.4	923.8	(15)
Cyramza	259.3	434.3	693.6	762.5	(9)
Alimta	490.5	200.5	691.1	1,626.6	(58)
Olumiant[4]	104.6	520.1	624.7	809.1	(23)
Basaglar	339.9	218.8	558.7	650.1	(14)
Cialis	25.8	454.7	480.4	538.7	(11)
Emgality	330.8	144.4	475.2	415.7	14
Forteo	261.4	191.7	453.0	617.8	(27)
Erbitux	361.0	47.4	408.3	403.7	1
Zyprexa	26.2	235.5	261.7	292.8	(11)
Tyvyt	—	235.8	235.8	340.2	(31)
Cymbalta	25.0	194.3	219.3	484.3	(55)
Mounjaro	109.9	93.3	203.2	—	NM
Other products	501.1	743.0	1,244.2	1,267.3	(2)
Revenue	$ 13,531.5	$ 7,708.1	$ 21,239.6	$ 20,318.5	5

Numbers may not add due to rounding.
NM - not meaningful
[1] COVID-19 antibodies include sales for bamlanivimab administered alone, for bamlanivimab and etesevimab administered together, and for bebtelovimab and were made pursuant to EUAs or similar regulatory authorizations.
[2] Humalog revenue includes insulin lispro.
[3] Jardiance revenue includes Glyxambi, Synjardy, and Trijardy XR.
[4] Olumiant revenue includes sales for baricitinib that were made pursuant to EUA or similar regulatory authorizations.

Revenue of Trulicity, a treatment for type 2 diabetes and to reduce the risk of major adverse cardiovascular events in adult patients with type 2 diabetes and established cardiovascular disease or multiple cardiovascular risk factors, increased 18 percent in the U.S. during the three months ended September 30, 2022, driven by increased demand, partially offset by lower realized prices. The lower realized prices in the U.S. for the three months ended September 30, 2022 were due to unfavorable segment mix and higher contracted rebates, partially offset by changes to estimates for rebates and discounts. Revenue in the U.S. increased 20 percent during the nine months ended September 30, 2022, driven by increased demand, partially offset by lower realized prices due to unfavorable segment mix and higher contracted rebates. Revenue outside the U.S. increased 8 percent and 19 percent during the three and nine months ended September 30, 2022, respectively, driven by increased demand, partially offset by the unfavorable impact of foreign exchange rates and, to a lesser extent, lower realized prices.

Revenue of COVID-19 antibodies, treatments for mild to moderate COVID-19 for higher-risk patients and for post-exposure prophylaxis in certain individuals for the prevention of SARS-CoV-2 infection, was $386.6 million and $1.97 billion in the U.S. during the three and nine months ended September 30, 2022, respectively. Revenue outside the U.S. was not material during the three and nine months ended September 30, 2022. The availability of superior or competitive therapies, including therapies that can be administered more easily, or preventative measures, such as vaccines, coupled with the unpredictable nature of pandemics, have and could further negatively impact or eliminate demand for these COVID-19 antibodies. The FDA has revised, and may in the future revise, any EUA for our COVID-19 antibodies in response to the prevalence of variants against which our antibodies have varying degrees of efficacy, including the new BQ variants. Based on early data, we do not believe that bebtelovimab will neutralize against the new BQ variants. We supplied the U.S. government approximately 810,000 doses of bebtelovimab during the nine months ended September 30, 2022. Beginning in the third quarter of 2022 and in collaboration with the U.S. government, we have made bebtelovimab commercially available for purchase by U.S. states/territories, hospitals, and certain other providers. We do not anticipate any further U.S. government orders.

Revenue of Taltz, a treatment for moderate-to-severe plaque psoriasis, active psoriatic arthritis, ankylosing spondylitis, and active non-radiographic axial spondyloarthritis, increased 17 percent and 13 percent in the U.S. during the three and nine months ended September 30, 2022, respectively, driven by increased demand, partially offset by lower realized prices. Revenue outside the U.S. increased 9 percent and 14 percent during the three and nine months ended September 30, 2022, respectively, driven by increased volume, partially offset by unfavorable impact of foreign exchange rates and lower realized prices.

Revenue of Verzenio, a treatment for HR+, HER2- metastatic breast cancer and high risk early breast cancer, increased $215.1 million and $518.4 million in the U.S. during the three and nine months ended September 30, 2022, respectively, primarily driven by increased demand. Revenue outside the U.S. increased 49 percent and 58 percent during the three and nine months ended September 30, 2022, respectively, driven by increased demand, partially offset by lower realized prices due to the impact of the NRDL formulary in China and the unfavorable impact of foreign exchange rates.

Revenue of Humalog, an injectable human insulin analog for the treatment of diabetes, decreased 29 percent and 15 percent in the U.S. during the three and nine months ended September 30, 2022, respectively, driven by lower realized prices due to a list price reduction of insulin lispro injection and unfavorable segment mix. Revenue outside the U.S. decreased 29 percent and 22 percent during the three and nine months ended September 30, 2022, respectively, driven by lower realized prices due to the impact of VBP in China and the unfavorable impact of foreign exchange rates. Due to the impact of competition and pricing pressure in the U.S. and some international markets, we expect that lower revenue due to realized price decline will continue over time.

Revenue of Jardiance, a treatment for type 2 diabetes, to reduce the risk of cardiovascular death in adult patients with type 2 diabetes and established cardiovascular disease, and to reduce the risk of cardiovascular death and hospitalization for heart failure in adults with heart failure, regardless of left ventricular ejection fraction, increased 59 percent and 47 percent in the U.S. during the three and nine months ended September 30, 2022, respectively, primarily driven by increased demand. The increase in revenue in the U.S. during the three months ended September 30, 2022 was also driven by changes to estimates for rebates and discounts. Revenue outside the U.S. increased 31 percent and 26 percent during the three and nine months ended September 30, 2022, respectively, primarily driven by increased demand, partially offset by the unfavorable impact of foreign exchange rates. See Note 4 to the consolidated condensed financial statements for information regarding our collaboration with Boehringer Ingelheim involving Jardiance.

Revenue of Alimta, a treatment for various cancers, decreased 78 percent and 46 percent in the U.S. during the three and nine months ended September 30, 2022, respectively, primarily driven by decreased demand due to the entry of multiple generics in the second quarter of 2022. Revenue outside the U.S. decreased 66 percent and 72 percent during the three and nine months ended September 30, 2022, respectively, largely driven by decreased demand due to generic competition. Following the June 2021 loss of patent exclusivity for Alimta in Europe and Japan, we faced, and expect to continue to face, generic competition that has rapidly and severely eroded revenue, and we expect will continue to erode revenue from current levels. In addition, as a result of the entry of multiple generics in the U.S. following the loss of patent and pediatric exclusivity in May 2022, we began facing, and expect to continue to face, additional generic competition that has eroded revenue, and we expect will continue to rapidly and severely erode revenue from current levels. See "Executive Overview - Other Matters- Patent Matters" for additional information.

Gross Margin, Costs, and Expenses

Gross margin as a percent of revenue decreased 1.6 percentage points to 77.3 percent and increased 2.0 percentage points to 76.1 percent for the three and nine months ended September 30, 2022, respectively. The decrease in the gross margin percent for the three months ended September 30, 2022 was primarily driven by a benefit in the gross margin for the three months ended September 30, 2021 due to the partial reversal of inventory impairment charges related to our COVID-19 antibodies that were recognized in the first and second quarters of 2021. The partial reversal of inventory impairment charges related to our COVID-19 antibodies was driven by an unexpected increase in our COVID-19 antibodies sales as the COVID-19 pandemic evolved during the third quarter of 2021. The increase in gross margin percent for the nine months ended September 30, 2022 was primarily driven by a net inventory impairment charge related to our COVID-19 antibodies recognized in 2021. Additionally, for the three and nine months ended September 30, 2022, lower realized prices and increased expenses due to inflation and logistics costs were offset by favorable product mix, including the impact of lower sales of Olumiant for the treatment of COVID-19, and the favorable impact of foreign exchange rates.

Research and development expenses increased 6 percent to $1.80 billion and 3 percent to $5.19 billion for the three and nine months ended September 30, 2022, respectively, primarily driven by higher development expenses for late-stage assets, partially offset by lower development expenses for COVID-19 antibodies and the favorable impact of foreign exchange rates.

Marketing, selling, and administrative expenses increased 2 percent to $1.61 billion for the three months ended September 30, 2022, primarily driven by increased costs associated with the launch of Mounjaro, partially offset by the favorable impact of foreign exchange rates. Marketing, selling, and administrative expenses decreased 1 percent to $4.80 billion for the nine months ended September 30, 2022, primarily driven by the favorable impact of foreign exchange rates as well as reduced marketing costs in the first half of 2022, partially offset by increased costs associated with the launch of Mounjaro.

We plan to take compensatory actions to improve retention and address wage inflation which will impact our costs and consolidated results of operations.

We recognized $62.4 million and $668.4 million of acquired IPR&D and development milestones for the three and nine months ended September 30, 2022, respectively. The charges for the nine months ended September 30, 2022 included the buy-out of substantially all future obligations that were contingent upon the occurrence of certain events linked to the success of our mutant-selective PI3kα inhibitor and a purchase of a Priority Review Voucher. We recognized $177.6 million and $532.4 million of acquired IPR&D and development milestones for the three and nine months ended September 30, 2021, respectively. The charges for the nine months ended September 30, 2021 included acquired IPR&D charges from business development transactions with Rigel and Precision. See Note 3 to the consolidated condensed financial statements for additional information.

We recognized asset impairment, restructuring, and other special charges of $206.5 million for the three and nine months ended September 30, 2022, primarily related to an intangible asset impairment for GBA1 Gene Therapy (PR001) due to changes in estimated launch timing. There were no asset impairment, restructuring, and other special charges recognized for the three months ended September 30, 2021. We recognized asset impairment, restructuring, and other special charges of $211.6 million for the nine months ended September 30, 2021, primarily related to an intangible asset impairment resulting from the sale of the rights to Qbrexza, as well as acquisition and integration costs associated with the acquisition of Prevail. See Note 5 to the consolidated condensed financial statements for additional information.

Other–net, (income) expense was expense of $111.0 million and $580.9 million for the three and nine months ended September 30, 2022, respectively, compared with expense of $635.9 million and $124.3 million for the three and nine months ended September 30, 2021, respectively. The decrease in other expense for the three months ended September 30, 2022 was primarily driven by a debt extinguishment loss of $405.2 million related to the repurchase of debt in 2021, as well as lower net investment losses on equity securities in 2022 compared to 2021. The increase in other expense for the nine months ended September 30, 2022 was primarily driven by net investment losses on equity securities in 2022 compared with net investment gains on equity securities in 2021, partially offset by a debt extinguishment loss of $405.2 million related to the repurchase of debt in 2021.

The effective tax rates were 7.3 percent and 8.6 percent for the three and nine months ended September 30, 2022, respectively, reflecting the favorable tax impact of the implementation of a provision in the 2017 Tax Act that requires capitalization and amortization of research and development expenses for tax purposes starting in 2022, net investment losses on equity securities, and an intangible asset impairment charge. We expect our effective tax rate to be approximately 13 percent to 14 percent for 2022 if the capitalization and amortization of research and development expenses provision of the 2017 Tax Act is deferred or repealed by the U.S. Congress effective for 2022.

The effective tax rate was 10.9 percent for the three months ended September 30, 2021, reflecting the favorable tax impact of a debt extinguishment loss and of net investment losses on equity securities, partially offset by a net discrete tax detriment. The effective tax rate was 10.7 percent for the nine months ended September 30, 2021, reflecting the favorable tax impact of a net discrete tax benefit, a debt extinguishment loss, and a net inventory impairment charge related to our COVID-19 antibodies.

Financial Condition and Liquidity

We believe our available cash and cash equivalents, together with our ability to generate operating cash flow and our access to short-term and long-term borrowings, are sufficient to fund our existing and planned capital requirements. For a discussion of our capital requirements, see "Management's Discussion and Analysis of Results of Operations and Financial Condition" in Part II, Item 7 of our Annual Report on Form 10-K for the year ended December 31, 2021.

We plan to invest more than $2 billion over several years in two new facilities in Lebanon, Indiana to manufacture existing and future products and more than $1 billion over several years in a new facility in Concord, North Carolina to manufacture parenteral (injectable) products and devices. We plan to invest more than 400 million euro over several years in a new facility in Limerick, Ireland to expand our manufacturing network for biologic active ingredients. These investments, and other capital investments that support our operations, will result in capital expenditures being higher than recent historical levels for the next several years.

Cash and cash equivalents decreased to $2.62 billion as of September 30, 2022, compared with $3.82 billion as of December 31, 2021. Refer to the consolidated condensed statements of cash flows for additional information on the significant sources and uses of cash for the nine months ended September 30, 2022 and 2021.

In addition to our cash and cash equivalents, we held total investments of $2.70 billion and $3.30 billion as of September 30, 2022 and December 31, 2021, respectively. See Note 6 to the consolidated condensed financial statements for additional information.

As of September 30, 2022, total debt was $15.89 billion, a decrease of $996.3 million compared with $16.88 billion as of December 31, 2021. See Note 6 to the consolidated condensed financial statements for additional information.

As of September 30, 2022, we had a total of $7.26 billion of unused committed bank credit facilities, $7.00 billion of which is available to support our commercial paper program. We believe that amounts accessible through existing commercial paper markets should be adequate to fund short-term borrowing needs.

During the nine months ended September 30, 2022, we repurchased $1.50 billion of shares under our $5.00 billion share repurchase program authorized in May 2021. As of September 30, 2022, we had $3.25 billion remaining under this program.

During the nine months ended September 30, 2022, we paid dividends of $2.65 billion, or $2.94 per share, to our shareholders. In October 2022, we declared a dividend for the fourth quarter of 2022 of $0.98 per share on outstanding common stock. The dividend of approximately $882 million is payable on December 9, 2022 to shareholders of record at the close of business on November 15, 2022.

See "Executive Overview - Other Matters - Patent Matters" for information regarding recent losses of patent protection.

Both domestically and abroad, we continue to monitor the potential impacts of the economic environment; the creditworthiness of our wholesalers and other customers, including foreign government-backed agencies and suppliers; the uncertain impact of health care legislation; various international government funding levels; and fluctuations in interest rates, foreign currency exchange rates (see "Executive Overview - Other Matters - Foreign Currency Exchange Rates"), and fair values of equity securities.

Critical Accounting Estimates

For a discussion of our critical accounting estimates, refer to "Management's Discussion and Analysis of Results of Operations and Financial Condition" in Part II, Item 7 and the notes to our consolidated financial statements in Part II, Item 8 of our Annual Report on Form 10-K for the year ended December 31, 2021. See also Note 1 to the consolidated condensed financial statements. There have been no material changes to our critical accounting estimates since our Annual Report on Form 10-K for the year ended December 31, 2021.

Available Information on our Website

We make available through our company website, free of charge, our company filings with the Securities and Exchange Commission (SEC) as soon as reasonably practicable after we electronically file them with, or furnish them to, the SEC. The reports we make available include annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxy statements, registration statements, and any amendments to those documents.

The website link to our SEC filings is **investor.lilly.com/financial-information/sec-filings**.

We routinely post important information for investors in the “Investors” section of our website, www.lilly.com. We may use our website as a means of disclosing material, non-public information and for complying with our disclosure obligations under Regulation FD. Accordingly, investors should monitor the “Investors” section of our website, in addition to following our press releases, filings with the SEC, public conference calls, presentations, and webcasts. We may also use social media channels to communicate with investors and the public about our business, products and other matters, and those communications could be deemed to be material information. The information contained on, or that may be accessed through, our website or social media channels, is not incorporated by reference into, and is not a part of, this Quarterly Report on Form 10-Q.

Item 4. Controls and Procedures

(a) *Evaluation of Disclosure Controls and Procedures*. Under applicable Securities and Exchange Commission (SEC) regulations, management of a reporting company, with the participation of the principal executive officer and principal financial officer, must periodically evaluate the company's "disclosure controls and procedures," which are defined generally as controls and other procedures of a reporting company designed to ensure that information required to be disclosed by the reporting company in its periodic reports filed with the SEC (such as this Quarterly Report on Form 10-Q) is recorded, processed, summarized, and reported on a timely basis.

Our management, with the participation of David A. Ricks, president and chief executive officer, and Anat Ashkenazi, executive vice president and chief financial officer, evaluated our disclosure controls and procedures (as such terms are defined in our Annual Report on Form 10-K for the year ended December 31, 2021) as of September 30, 2022, and concluded that they were effective.

(b) *Changes in Internal Controls*. During the third quarter of 2022, there were no changes in our internal control over financial reporting that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. Other Information

Item 1. Legal Proceedings

We are a party to various currently pending legal actions, government investigations, and environmental proceedings. See Note 9 to the consolidated condensed financial statements for information on various legal proceedings.

This Item should be read in conjunction with "Legal Proceedings" in Part I, Item 3 of our Annual Report on Form 10-K for the year ended December 31, 2021.

Item 1A. Risk Factors

Our material risk factors are disclosed in "Risk Factors" in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2021. There have been no material changes from the risk factors previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2021.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Information relating to the principal market for our common stock and related shareholder matters is described in "Management's Discussion and Analysis of Results of Operations and Financial Condition" in Part II, Item 7 and in "Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters" in Part III, Item 12 of our Annual Report on Form 10-K for the year ended December 31, 2021.

The following table summarizes the activity related to repurchases of our equity securities during the three months ended September 30, 2022:

Period	Total Number of Shares Purchased (in thousands)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (in thousands)	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (in millions)
July 2022	—	$ —	—	$ 3,250.0
August 2022	—	—	—	3,250.0
September 2022	—	—	—	3,250.0
Total	—	—	—	

During the three months ended September 30, 2022, we did not repurchase any shares under our $5.00 billion share repurchase program authorized in May 2021.

Item 6. Exhibits

The following documents are filed as a part of this Quarterly Report:

Exhibit	Description
EXHIBIT 3.1	Amended Articles of Incorporation are incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on May 4, 2022
EXHIBIT 3.2	Bylaws, as amended, are incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K filed on May 4, 2022
EXHIBIT 10.1	Form of Performance Award under the 2002 Lilly Stock Plan (with non-compete)[1]
EXHIBIT 10.2	Form of Shareholder Value Award under the 2002 Lilly Stock Plan (with non-compete)[1]
EXHIBIT 10.3	Form of Relative Value Award under the 2002 Lilly Stock Plan (with non-compete)[1]
EXHIBIT 31.1	Rule 13a-14(a) Certification of David A. Ricks, Chair, President, and Chief Executive Officer
EXHIBIT 31.2	Rule 13a-14(a) Certification of Anat Ashkenazi, Executive Vice President and Chief Financial Officer
EXHIBIT 32.	Section 1350 Certification
EXHIBIT 101.	Interactive Data Files (embedded within the Inline XBRL document)
EXHIBIT 104.	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

[1] Indicates management contract or compensatory plan.

Long-term debt instruments under which the total amount of securities authorized does not exceed 10 percent of our consolidated assets are not filed as exhibits to this Quarterly Report. We will furnish a copy of these agreements to the Securities and Exchange Commission upon request.

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned thereunto duly authorized.

ELI LILLY AND COMPANY
(Registrant)

Date: November 1, 2022

/s/ Anat Ashkenazi
Anat Ashkenazi
Executive Vice President and Chief Financial Officer

Date: November 1, 2022

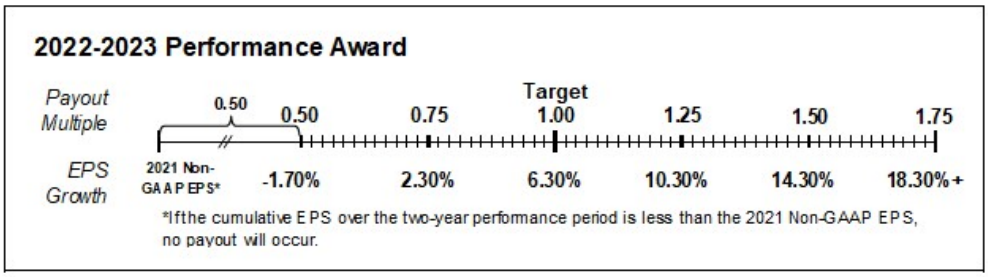
/s/ Donald A. Zakrowski
Donald A. Zakrowski
Senior Vice President, Finance, and Chief Accounting Officer

Exhibit 10.1 Form of Performance Award under the 2002 Lilly Stock Plan (with non-compete)

Eli Lilly and Company
Performance Award Agreement
(for Executive Officers)

This Performance Award has been granted on [•] ("Grant Date") by Eli Lilly and Company, an Indiana corporation, with its principal offices in Indianapolis, Indiana ("Lilly" or the "Company"), to the Eligible Individual who has received this Performance Award Agreement (the "Grantee").

Performance Levels:



Performance Period: January 1, 2022 – December 31, 2023

Service Vesting Date: February 1, 2025

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Section 1. Grant of Performance Award

Eli Lilly and Company, an Indiana corporation ("Lilly" or the "Company"), has granted to the Eligible Individual who has received this Performance Award Agreement (the "Grantee") a Performance-Based Award (the "Performance Award" or the "Award") with respect to the target number of shares of Lilly Common Stock (the "Shares") that the Grantee may view by logging on to the Merrill Lynch website at http://myequity.lilly.com (the "Target Number of Shares").

The Award is made pursuant to and subject to the terms and conditions set forth in the Amended and Restated 2002 Lilly Stock Plan (the "Plan") and to the terms and conditions set forth in this Performance Award Agreement, including all appendices, exhibits and addenda hereto (the "Award Agreement"). In the event of any conflict between the terms of the Plan and this Award Agreement, the terms of the Plan shall govern except with respect to the provisions described in Section 12 below (in which case, the terms of the Award Agreement shall govern).

Any capitalized terms used but not defined in this Award Agreement shall have the meanings set forth in the Plan.

Section 2. Vesting

As soon as reasonably practicable following the end of the Performance Period, the Committee shall determine the number of units eligible to vest ("Performance Units") based on the actual cumulative Earnings Per Share ("EPS") for the Performance Period and using the Non-GAAP EPS (as adjusted to the extent determined by the Committee) for the year immediately prior to the commencement of the Performance Period as a reference point (as shown on page 1 of this document) ("EPS Growth"), the corresponding payout multiple and the Target Number of Shares.

a. The actual cumulative EPS for the Performance Period shall be computed using the following procedures:

   i. A determination of adjusted consolidated net income ascertained from the Company's audited consolidated financial statements shall be made for each fiscal year in the Performance Period in accordance with accounting principles currently applicable in the United States ("US GAAP"), adjusted to the extent deemed appropriate by the Committee for any unusual items deemed significant by the Committee.

   ii. The number of shares of outstanding Lilly Common Stock used to compute consolidated EPS shall be determined as of the end of each fiscal year in the Performance Period on a diluted basis or its equivalent in accordance with US GAAP.

   iii. To calculate consolidated EPS for each fiscal year in the Performance Period, the adjusted consolidated net income shall be divided by the number of shares of outstanding Lilly Common Stock as computed in accordance with subsection (ii) above and the quotient rounded to the nearest cent.

   iv. To determine the cumulative EPS for the Performance Period, the EPS amounts for each fiscal year as determined above shall be added.

b. The payout multiple corresponding to the EPS Growth (as shown on page 1 of this document) shall then be applied to the Target Number of Shares.

c. The number of Performance Units under this Performance Award will be the number resulting from the calculation described in subsection (b) above.

d. In the event the Grantee's Service is terminated prior to the Service Vesting Date for any reason or in any circumstance other than as described in Section 3 below, the Award, including any accrued Dividend Equivalent Rights, shall be forfeited.

Section 3. Impact of Certain Employment Status Changes

Unless the Committee determines, in its sole discretion, that such treatment is not advisable after consideration of Applicable Laws, the number of Shares that are eligible to vest upon a change in employment status of the Grantee during the Performance Period will be as follows:

a. Leaves of Absence. In the event the Grantee is on an approved leave of absence during the Performance Period, the number of Shares eligible to vest shall be the number determined in accordance with Section 2 above.

b. Retirement; Death; Disability. Except as otherwise provided below (including Section 12), in the event the Grantee's Service is terminated (i) on or following the Retirement Vesting Date (A) due to the Grantee's Retirement or (B) due to the Grantee's Qualifying Termination (as defined below) on a date that the Grantee is eligible for Retirement, (ii) due to the Grantee's death, or (iii) by reason of Grantee's Disability, the number of Shares eligible to vest shall be the number determined in accordance with Section 2 above. For the avoidance of any doubt, the Award shall be forfeited in the event the Grantee's Service is terminated prior to the Retirement Vesting Date due to the Grantee's Retirement.

"Retirement" means retirement as a "retiree," which is a person who is (A) a retired employee under The Lilly Retirement Plan; (B) a retired employee under the retirement plan or program of an Affiliate; (C) a retired employee under a retirement program specifically approved by the Committee; (D) required to retire under local law, to the extent authorized by the Company to address such local requirements or (E) otherwise determined to be a retired employee in the sole discretion of the Company.

"Retirement Vesting Date" means the date that is on or following December 31 immediately following the commencement of the Performance Period.

"Disability" for purposes of this Award Agreement means that the Grantee would qualify to receive benefit payments under the long-term disability plan or policy, as it may be amended from time to time, of the Company or the Affiliate that employs the Grantee (the "Employer"). If the Company or the Employer does not have a long-term disability plan or policy, "Disability" means that the Grantee is unable to carry out the responsibilities and functions of the position held by the Grantee by reason of any medically determined physical or mental impairment for a period of at least ninety (90) consecutive days as determined by the Company or Employer. The Grantee shall not be considered to have incurred a Disability unless he or she furnishes proof of such impairment sufficient to satisfy the Company as it determines in its sole discretion.

c. Qualifying Termination. Except as otherwise provided in section 3(b), in the event the Grantee's employment is subject to a Qualifying Termination (as defined below), the Performance Units shall vest, provided that if the Qualifying Termination occurs prior to the last day of the Performance Period, the number of Shares eligible to vest shall be the number determined in accordance with Section 2 above, reduced proportionally for the portion of the total days during the Performance Period in which the Grantee was not in active Service.

For purposes of this Award Agreement, a "Qualifying Termination" means the termination of the Grantee's Service under any one of the following circumstances:

i. due to a plant closing or reduction in workforce (as defined below);

ii. as a result of the Grantee's failure to locate a position within the Company or an Affiliate following the placement of the Grantee on reallocation or medical reassignment in the United States (or equivalent as determined by the Committee).

"Plant closing" means the closing of a plant site or other corporate location that directly results in termination of the Grantee's Service.

"Reduction in workforce" means the elimination of a work group, functional or business unit or other broadly applicable reduction in job positions that directly results in termination of the Grantee's Service.

d. Post-Performance Period Retirement. Notwithstanding Section 3(b), in the event the Grantee's Service is terminated due to Retirement subsequent to the last day of the Performance Period but prior to the Service Vesting Date, the Performance Units, if any, shall continue to accrue Dividend Equivalent Rights and the Performance Units and Dividend Equivalent Rights shall vest on the Service Vesting Date.

A Grantee who has not received a year-end individual performance rating and (i) is on final written warning (or equivalent as determined by the Committee) for unsatisfactory performance and elects to retire in lieu of a termination of employment; or (ii) elects to retire in lieu of termination of employment because of an immediately terminable offense (e.g., absence of three days without notice, insubordination, violation of substance abuse policy, possession of firearms, misconduct) will not be considered to have terminated due to Retirement as described herein.

e. Demotions, Disciplinary Actions and Misconduct. The Company may, in its sole discretion, cancel this Performance Award or reduce the number of Performance Units, prorated according to time or other measure as determined appropriate by the Company, if during any period prior to the Service Vesting Date the Grantee has been (i) subject to disciplinary action by the Company or (ii) determined to have committed a material violation of law or Company policy or to have failed to properly manage or monitor the conduct of an employee who has committed a material violation of law or Company policy whereby, in either case, such conduct causes significant harm to the Company, as determined in the sole discretion of the Company.

f. Final Written Warning. If the Grantee is placed on final written warning (or its equivalent as determined by the Committee) at any time subsequent to the last day of the Performance Period but prior to the Service Vesting Date, the Grantee shall forfeit the Performance Units and Dividend Equivalent Rights scheduled to vest on the Service Vesting Date to the extent the Award is the next subsequent Award (when compared to other Awards held by the Grantee) that is scheduled to vest following the date that the Grantee is placed on final written warning (it being understood that all other Awards, if any, that are scheduled to vest on the Service Vesting Date shall also be forfeited).

The Committee's determination as to whether (1) a leave of absence or a transfer of employment between Lilly and an Affiliate or between Affiliates constitutes a termination of Service, (2) the Grantee's Service has been terminated by reason of Disability or Retirement, (3) the Grantee is eligible for Retirement, (4) the Grantee's Service has been terminated as a direct result of either a plant closing or a reduction in force, and (5) the Grantee's service has been terminated as a result of the failure to locate a position within the Company or an Affiliate following reallocation or medical reassignment shall be final and binding on the Grantee.

Section 4. Change in Control

The provisions of Section 13.2 of the Plan apply to this Award with the following modifications:

a. The only Change in Control event that shall result in a benefit under this Section 4 shall be the consummation of a merger, share exchange, or consolidation of the Company, as defined in Section 2.6(c) of the Plan (a "Transaction").

b. In the event of a Transaction that occurs prior to the last day of the Performance Period, the Grantee will be credited with an award of Restricted Stock Units equal to the number of Performance Units, to be calculated in a manner consistent with Section 2, but the cumulative EPS shall equal the Company's cumulative EPS expected results (as determined by the Company's last approved forecast prior to the consummation of the Transaction, not considering the impact of the Transaction) (the "Credited RSU Award"). The Credited RSU Award shall be eligible to vest on the last day of the Performance Period, subject to the Grantee's continued Service through the last day of the Performance Period, except as provided below:

   i. In the event that the Credited RSU Award is not converted, assumed, substituted, continued or replaced by a successor or surviving corporation, or a parent or subsidiary thereof, in connection with a Transaction, then immediately prior to the Transaction, the Credited RSU Award shall vest automatically in full.

   ii. In the event that the Credited RSU Award is converted, assumed, substituted, continued or replaced by a successor or surviving corporation, or a parent or subsidiary thereof, in connection with the Transaction and the Grantee is subject to a Covered Termination (as defined below) prior to the last day of the Performance Period, then immediately as of the date of the Covered Termination, the Credited RSU Award shall vest automatically in full.

   For purposes of this Award Agreement, "Covered Termination" shall mean a termination of Service as described in Sections 3(b) and (c), Grantee's termination of Service without Cause or the Grantee's resignation for Good Reason. "Cause" and "Good Reason" shall have the meanings ascribed to them in the Eli Lilly and Company 2007 Change in Control Severance Pay Plan for Select Employees (as amended from time to time) or any successor plan or arrangement thereto.

c. The following shall apply in the event of a Transaction that occurs subsequent to the last day of the Performance Period but prior to the Service Vesting Date:

   i. In the event that the Performance Units are not converted, assumed, substituted, continued or replaced by a successor or surviving corporation, or a parent or subsidiary thereof, in connection with a Transaction, then immediately prior to the Transaction, the Performance Units shall vest automatically in full.

   ii. In the event that the Performance Units are converted, assumed, substituted, continued or replaced by a successor or surviving corporation, or a parent or subsidiary thereof, in connection with the Transaction and the Grantee is subject to a Covered Termination prior to the Service Vesting Date, then immediately as of the date of the Covered Termination, the Performance Units shall vest automatically in full.

Section 5. Settlement

a. Except as provided below, a vested Award shall be paid to the Grantee as soon as practicable, but in no event later than sixty (60) days following the Service Vesting Date, including if the Award vests pursuant to Sections 3(b) or 3(c).

b. If the Award vests pursuant to Section 3(b)(ii) or (iii) subsequent to the last day of the Performance Period, the Award shall be paid to the Grantee no later than sixty (60) days following the date of the Grantee's termination of Service under Section 3(b)(ii) or (iii), provided that if the Award is considered an item of nonqualified deferred compensation subject to Section 409A of the Code ("NQ Deferred Compensation"), the Award shall be paid within sixty (60) days following the date the Grantee experiences a "separation from service" within the meaning of Section 409A of the Code (a "409A Separation"), provided that if the Grantee is a "specified employee" within the meaning of Section 409A of the Code as of the payment date, the Award shall instead be paid on the earliest of (i) the first day following the six (6) month anniversary of the Grantee's Section 409A Separation and (ii) the date of the Grantee's death, as applicable.

c. If the Award vests pursuant to Section 4(b)(i) or Section 4(c)(i), the Award shall be paid to the Grantee immediately prior to the Transaction, provided that if the Award is considered NQ Deferred Compensation and the Transaction does not constitute a "change in control event" under Section 409A of the Code (a "409A CIC"), then the Award shall be paid in cash (calculated based on the value of the Shares established for the consideration to be paid to holders of Shares in the Transaction) on the Service Vesting Date.

d. If the Award vests pursuant to Section 4(b)(ii) or Section 4(c)(ii), the Award shall be paid to the Grantee as soon as practicable, but in no event later than sixty (60) days following the date the Grantee is subject to a Covered Termination, provided that if the Award is NQ Deferred Compensation, (i) the Award shall be paid within sixty (60) days following the date the Grantee experiences a 409A Separation, and (ii) if the Grantee is a "specified employee" within the meaning of Section 409A of the Code as of the payment date, the Award shall instead be paid on the earliest of (1) the first day following the six (6) month anniversary of the Grantee's Section 409A Separation and (2) the date of the Grantee's death.

e. At the time of settlement provided in this Section 5, Lilly shall issue or transfer Shares or the cash equivalent, as contemplated under Section 5(f) below, to the Grantee. In the event the Grantee is entitled to a fractional Share, the fraction may be paid in cash or rounded, in the Committee's discretion.

f. At any time prior to the Service Vesting Date or until the Performance Units are paid in accordance with this Section 5, the Committee may, if it so elects, determine to pay part or all of the Performance Units in cash in lieu of issuing or transferring Shares. The amount of cash shall be calculated based on the Fair Market Value of the Shares on the last day of the Restriction Period in the case of payment pursuant to Section 5(a) and on the date of payment in the case of a payment pursuant to Section 5(d).

g. Dividend Equivalent Rights, if any, that accrue hereunder shall be settled in cash.

h. In the event of the death of the Grantee, the payments described above shall be made to the successor of the Grantee.

Section 6. Rights of the Grantee

a. No Shareholder Rights. The Performance Award does not entitle the Grantee to any rights of a shareholder of Lilly until such time as the Performance Award is settled and Shares are issued or transferred to the Grantee.

b. Dividend Equivalent Rights. On each date that the Company pays a cash dividend to holders of Shares during the period commencing on the date the number of Performance Units are determined continuing through the date the Performance Units are settled, the Grantee shall be credited with Dividend Equivalent Rights in an amount equal to the total number of Performance Units, multiplied by the dollar amount of the cash dividend paid per Share by the Company on such date. Dividend Equivalent Rights shall accrue in an account denominated in U.S. dollars and shall not accrue interest or other credits prior to being paid. The Dividend Equivalent Rights shall be subject to the same vesting conditions and restrictions as the Performance Units to which the Dividend Equivalent Rights relate, and the Dividend Equivalent Rights shall be forfeited in the event that the Performance Units with respect to which such Dividend Equivalent Rights were credited are forfeited.

c. No Trust; Grantee's Rights Unsecured. Neither this Award Agreement nor any action in accordance with this Award Agreement shall be construed to create a trust of any kind. The right of the Grantee to receive payments of cash or Shares pursuant to this Award Agreement shall be an unsecured claim against the general assets of the Company.

Section 7. Prohibition Against Transfer

The right of a Grantee to receive payments of Shares and/or cash under this Award may not be transferred except to a duly appointed guardian of the estate of the Grantee or to a successor of the Grantee by will or the applicable laws of descent and distribution and then only subject to the provisions of this Award Agreement. A Grantee may not assign, sell, pledge, or otherwise transfer Shares or cash to which he or she may be entitled hereunder prior to transfer or payment thereof to the Grantee, and any such attempted assignment, sale, pledge or transfer shall be void.

Section 8. Responsibility for Taxes

a. Regardless of any action Lilly and/or the Employer takes with respect to any or all income tax (including federal, state, local and non-U.S. tax), social insurance, payroll tax, fringe benefits tax, payment on account or other tax related items related to the Grantee's participation in the Plan and legally applicable to the Grantee ("Tax Related Items"), the Grantee acknowledges that the ultimate liability for all Tax Related Items is and remains the Grantee's responsibility and may exceed the amount actually withheld by Lilly or the Employer. The Grantee further acknowledges that Lilly and the Employer (i) make no representations or undertakings regarding the treatment of any Tax Related Items in connection with any aspect of the Award, including the grant of the Performance Award, the vesting of the Performance Award, the transfer and issuance of any Shares, the receipt of any cash payment pursuant to the Award, the accrual and payment of Dividend Equivalent Rights, the receipt of any dividends and the sale of any Shares acquired pursuant to this Award; and (ii) do not commit to and are under no obligation to structure the terms of the grant or any aspect of the Award to reduce or eliminate the Grantee's liability for Tax Related Items or achieve any particular tax result. Furthermore, if the Grantee becomes subject to Tax Related Items in more than one jurisdiction, the Grantee acknowledges that the Company and/or the Employer (or

former employer, as applicable) may be required to withhold or account for Tax Related Items in more than one jurisdiction.

b. Prior to the applicable taxable or tax withholding event, as applicable, the Grantee shall pay or make adequate arrangements satisfactory to Lilly and/or the Employer to satisfy all Tax Related Items.

   i. If the Performance Award is paid to the Grantee in cash in lieu of Shares, the Grantee authorizes the Company and/or the Employer, or their respective agents, at their discretion, to satisfy any obligation for Tax Related Items by withholding from the cash amount paid to the Grantee pursuant to the Award or from the Grantee's wages or other cash compensation paid to the Grantee by the Company and/or the Employer.

   ii. If the Performance Award is paid to the Grantee in Shares and the Grantee is not subject to the short-swing profit rules of Section 16(b) of the Exchange Act, the Grantee authorizes Lilly and/or the Employer, or their respective agents, at their discretion, to (A) withhold from the Grantee's wages or other cash compensation paid to the Grantee by the Company and/or the Employer, (B) arrange for the sale of Shares to be issued upon settlement of the Award (on the Grantee's behalf and at the Grantee's direction pursuant to this authorization or such other authorization as the Grantee may be required to provide to Lilly or its designated broker in order for such sale to be effectuated) and withhold from the proceeds of such sale, (C) withhold in Shares otherwise issuable to the Grantee pursuant to this Award, and/or (D) apply any other method of withholding determined by the Company and, to the extent required by Applicable Laws or the Plan, approved by the Committee.

   iii. If the Performance Award is paid to the Grantee in Shares and the Grantee is subject to the short-swing profit rules of Section 16(b) of the Exchange Act, Lilly will withhold in Shares otherwise issuable to the Grantee pursuant to this Award, unless the use of such withholding method is prevented by Applicable Laws or has materially adverse accounting or tax consequences, in which case the withholding obligation for Tax Related Items may be satisfied by one or a combination of the methods set forth in Section 8(b)(ii)(A) and (B) above.

c. Depending on the withholding method, Lilly and/or the Employer may withhold or account for Tax Related Items by considering applicable statutory or other withholding rates, including minimum or maximum rates in the jurisdiction(s) applicable to the Grantee. In the event of over-withholding, the Grantee may receive a refund of any over-withheld amount in cash (without interest and without entitlement to the equivalent amount in Shares). If the obligation for Tax Related Items is satisfied by withholding Shares, for tax purposes, the Grantee will be deemed to have been issued the full number of Shares to which he or she is entitled pursuant to this Award, notwithstanding that a number of Shares are withheld to satisfy the obligation for Tax Related Items.

d. Lilly may refuse to deliver Shares or any cash payment to the Grantee if the Grantee fails to comply with the Grantee's obligation in connection with the Tax Related Items as described in this Section 8.

Section 9. Section 409A Compliance

To the extent applicable, it is intended that this Award comply with the requirements of Section 409A of the U.S. Internal Revenue Code of 1986, as amended and the Treasury Regulations and other guidance issued thereunder ("Section 409A") and this Award shall be interpreted and applied by the Committee in a manner consistent with this intent in order to avoid the imposition of any additional tax under Section 409A.

Section 10. Grantee's Acknowledgments

In accepting this Award, the Grantee acknowledges, understands and agrees that:

a. the Plan is established voluntarily by Lilly, it is discretionary in nature and it may be modified, amended, suspended or terminated by Lilly at any time, as provided in the Plan;

b. the Award is voluntary and occasional and does not create any contractual or other right to receive future Performance-Based Awards, or benefits in lieu thereof, even if Performance-Based Awards have been granted in the past;

c. all decisions with respect to future Performance-Based Awards or other awards, if any, will be at the sole discretion of the Committee;

d. the Grantee's participation in the Plan is voluntary;

e. the Award and any Shares subject to the Award are not intended to replace any pension rights or compensation;

f. the Award and any Shares subject to the Award, and the income and value of same, are not part of normal or expected compensation for any purpose, including but not limited to, calculating any severance, resignation, termination, redundancy, dismissal, end of service payments, bonuses, long-service awards, holiday pay, leave pay, pension or welfare or retirement benefits or similar mandatory payments;

g. neither the Award nor any provision of this Award Agreement, the Plan or the policies adopted pursuant to the Plan, confer upon the Grantee any right with respect to employment or continuation of current employment, and in the event that the Grantee is not an employee of Lilly or any subsidiary of Lilly, the Award shall not be interpreted to form an employment contract or relationship with Lilly or any Affiliate;

h. the future value of the underlying Shares is unknown, indeterminable and cannot be predicted with certainty;

i. no claim or entitlement to compensation or damages shall arise from forfeiture of the Award resulting from the Grantee ceasing to provide employment or other services to Lilly or the Employer (for any reason whatsoever, whether or not later found to be invalid or in breach of local labor laws in the jurisdiction where the Grantee is employed or the terms of Grantee's employment agreement, if any);

j. for purposes of the Award, the Grantee's employment will be considered terminated as of the date he or she is no longer actively providing services to the Company or an Affiliate and the Grantee's right, if any, to earn and be paid any portion of the Award and any Dividend Equivalent Rights after such termination of employment or services (regardless of the reason for such termination and whether or not such termination is later found to be invalid or in breach of employment laws in the jurisdiction where the Grantee is employed or the terms of the Grantee's employment agreement, if any) will be measured by the date the Grantee ceases to actively provide services and will not be extended by any notice period (e.g., active service would not include any contractual notice period or any period of

"garden leave" or similar period mandated under employment laws in the jurisdiction where the Grantee is employed or the terms of the Grantee's employment agreement, if any); the Committee shall have the exclusive discretion to determine when the Grantee is no longer actively providing services for purposes of the Award (including whether the Grantee may still be considered to be actively providing services while on a leave of absence) in accordance with Section 409A;

k. unless otherwise provided in the Plan or by the Committee in its discretion, the Award and the benefits evidenced by this Award Agreement do not create any entitlement to have the Award or any such benefits transferred to, or assumed by, another company nor to be exchanged, cashed out or substituted for, in connection with any corporate transaction affecting the Shares;

l. the Grantee is solely responsible for investigating and complying with any laws applicable to him or her in connection with the Award; and

m. the Company has communicated share ownership guidelines that apply to the Grantee, and the Grantee understands and agrees that those guidelines may impact any shares of Lilly Stock that may be issued pursuant to this Award.

Section 11. Data Privacy

a. Data Collection and Usage. The Company and the Employer may collect, process and use certain personal information about the Grantee, and persons closely associated with the Grantee, including, but not limited to, the Grantee's name, home address and telephone number, email address, date of birth, social insurance number, passport or other identification number (e.g., resident registration number), salary, nationality, job title, any shares of stock or directorships held in the Company, details of all Performance Awards or any other entitlement to shares of stock awarded, canceled, exercised, vested, unvested or outstanding in the Grantee's favor ("Data"), for the purposes of implementing, administering and managing the Plan. The legal basis, where required, for the processing of Data is the Grantee's consent. Where required under Applicable Laws, Data may also be disclosed to certain securities or other regulatory authorities where the Company's securities are listed or traded or regulatory filings are made and the legal basis, where required, for such disclosure are the Applicable Laws.

b. Stock Plan Administration Service Providers. The Company transfers Data to Bank of America Merrill Lynch and/or its affiliated companies ("Merrill Lynch"), an independent service provider, which is assisting the Company with the implementation, administration and management of the Plan. In the future, the Company may select a different service provider and share Data with such other provider serving in a similar manner. The Grantee may be asked to agree on separate terms and data processing practices with the service provider, with such agreement being a condition to the ability to participate in the Plan. The Company may also transfer Data to KPMG, an independent service provider, which is also assisting the Company with certain aspects of the implementation, administration and management of the Plan. In the future, the Company may select a different service provider and share Data with such other provider serving in a similar manner.

c. International Data Transfers. The Company and its service providers are based in the United States. The Grantee's country or jurisdiction may have different data privacy laws and protections than the United States. The Company's legal basis, where required, for the transfer of Data is Grantee's consent.

d. *Data Retention. The Company will hold and use the Data only as long as is necessary to implement, administer and manage the Grantee's participation in the Plan, or as required to comply with legal or regulatory obligations, including under tax and security laws.*

e. *Voluntariness and Consequences of Consent Denial or Withdrawal. Participation in the Plan is voluntary and the Grantee is providing the consents herein on a purely voluntary basis. If the Grantee does not consent, or if the Grantee later seeks to revoke the Grantee's consent, the Grantee's salary from or employment and career with the Employer will not be affected; the only consequence of refusing or withdrawing the Grantee's consent is that the Company would not be able to grant this Award or other awards to the Grantee or administer or maintain such awards.*

f. *Data Subject Rights. The Grantee understands that data subject rights regarding the processing of Data vary depending on Applicable Laws and that, depending on where the Grantee is based and subject to the conditions set out in such Applicable Laws, the Grantee may have, without limitation, the right to (i) inquire whether and what kind of Data the Company holds about the Grantee and how it is processed, and to access or request copies of such Data, (ii) request the correction or supplementation of Data about the Grantee that is inaccurate, incomplete or out-of-date in light of the purposes underlying the processing, (iii) obtain the erasure of Data no longer necessary for the purposes underlying the processing, (iv) request the Company to restrict the processing of the Grantee's Data in certain situations where the Grantee feels its processing is inappropriate, (v) object, in certain circumstances, to the processing of Data for legitimate interests, and to (vi) request portability of the Grantee's Data that the Grantee has actively or passively provided to the Company or the Employer (which does not include data derived or inferred from the collected data), where the processing of such Data is based on consent or the Grantee's employment and is carried out by automated means. In case of concerns, the Grantee understands that he or she may also have the right to lodge a complaint with the competent local data protection authority. Further, to receive clarification of, or to exercise any of, the Grantee's rights, the Grantee understands that he or she should contact his or her local human resources representative.*

g. *Declaration of Consent. By accepting the Award and indicating consent via the Company's online acceptance procedure, the Grantee is declaring that he or she agrees with the data processing practices described herein and consents to the collection, processing and use of Data by the Company and the transfer of Data to the recipients mentioned above, including recipients located in countries which do not adduce an adequate level of protection from a European (or other non-U.S.) data protection law perspective, for the purposes described above.*

Section 12. Restrictive Covenants, Remedies, and Additional Terms and Conditions

a. Restrictive Covenants. In consideration of the Grantee's receipt of the Award from Lilly, the Grantee agrees that during the Grantee's employment with Lilly or an Affiliate that the Grantee provided services to or had access to confidential information concerning ("Covered Affiliate") and for twelve (12) months immediately following the end of the Grantee's employment (regardless of reason), the Grantee will not directly or indirectly, on a worldwide basis, engage in any of the following activities:

i. Work for, advise, manage, act as an agent, employee or consultant for, or otherwise provide any services, in a Competitively-Sensitive Capacity, to: (a) any person or entity engaged in research, development, production, sale, or distribution of a product or service competitive with or substantially similar to any product or service in research, development or design, or

manufactured, produced, sold, or distributed by Lilly or a Covered Affiliate; or (b) any person or entity that otherwise competes or intends to compete with Lilly or a Covered Affiliate.

ii. Directly or indirectly solicit, urge, divert, induce, or seek to induce any of Lilly's (or Covered Affiliate's) independent contractors, subcontractors, business partners, distributors, brokers, consultants, sales representatives, customers, vendors, suppliers or any other person with whom Lilly or Covered Affiliate has a business relationship and with whom the Grantee interacted during the Grantee's employment with Lilly or Covered Affiliate to terminate their relationship with, or representation of, Lilly or Covered Affiliate or to cancel, withdraw, reduce, limit or in any manner modify any such person's business with, or representation of, Lilly or a Covered Affiliate.

The Grantee acknowledges and agrees that any Lilly Affiliate is an intended third-party beneficiary of this Award Agreement, which may be enforced by Lilly or any such Affiliate, either singularly or jointly.

For purposes of this Award Agreement, "Competitively-Sensitive Capacity" means: (A) the same or similar capacity or function in which the Grantee worked for Lilly or a Covered Affiliate at any time during the two (2) years immediately preceding the end of the Grantee's employment; (B) any officer, director, executive or senior management capacity or function; (C) any research and development capacity or function; (D) any sales management or business development management capacity or function; (E) any ownership capacity (except the Grantee may own as a passive investment up to 2% of any publicly traded securities); and/or (F) any other capacity or function in which there is a material risk that the Grantee likely would inevitably use or disclose trade secrets and/or confidential information Lilly or a Covered Affiliate. For purposes of clarity, if a competing business has multiple divisions, lines or segments, some of which are not competitive with the business of Lilly, including its Covered Affiliates, nothing in this Award Agreement will prohibit the Grantee from being employed by, working for or assisting only that division, line or segment of such competing business that is not competitive with the business of Lilly or a Covered Affiliate, provided the Grantee is not involved in a Competitively-Sensitive Capacity in the research, development, manufacture, provision or sale of any products that compete with any products of Lilly or a Covered Affiliate.

The Grantee and Lilly acknowledge and agree that the worldwide geographic scope of the foregoing covenants is reasonable and necessary given, among other things, that: (a) absent the restrictions, the Grantee could utilize Lilly's (or its Affiliates) trade secrets and/or confidential information and compete with Lilly or Affiliate from virtually anywhere; and (b) such scope is the only way for Lilly and its Affiliates to protect their trade secrets and confidential information. In the event the Grantee violates any of the restrictive covenants contained herein, their duration will automatically be extended by the length of time during which the Grantee was in violation of any of the restrictive covenants.

The Grantee acknowledges and agrees that during the course of the Grantee's employment with Lilly or a Covered Affiliate, the Grantee will become intimately familiar with confidential information and trade secrets key to its unique competitive advantage. The Grantee also acknowledges and agrees that Lilly's (and Covered Affiliate's) confidential information and trade secrets will retain continuing vitality throughout and beyond the one-year restricted period. And the Grantee acknowledges and agrees that, should the Grantee leave Lilly or Covered Affiliate and, near the Grantee's departure from Lilly or Covered Affiliate, work with another person or entity that engages in business activities similar to those of Lilly and/or

Covered Affiliate, it would be highly likely, if not inevitable, that the Grantee would rely on confidential information of Lilly and/or Covered Affiliate in the course of the Grantee's work, either consciously or subconsciously, harming Lilly and any Covered Affiliates. For these and other reasons, the Grantee agrees that the restrictions above are reasonably necessary to protect Lilly's and its Covered Affiliate's legitimate business interests, and do so by creating a specific amount of time after the Grantee's employment ends during which the Grantee will not be able to engage or prepare to engage in the activities above.

The Grantee and Lilly further acknowledge and agree that if any particular covenant or provision is determined to be unreasonable or unenforceable for any reason, including, without limitation, the time period, geographic area, and/or scope of activity covered by any restrictive covenant, such covenant or provision will automatically be deemed reformed so that the contested covenant or provision will have the closest effect permitted by applicable law to the original form and will be given effect and enforced as so reformed to whatever extent would be reasonable and enforceable under applicable law. Any court interpreting any restrictive covenant provision of this Award Agreement will, if necessary, reform any such provision to make it enforceable under applicable law.

This Award Agreement is intended, among other things, to supplement (and not supersede) all applicable statutes protecting trade secrets and the duties the Grantee owes to Lilly and/or Covered Affiliates under the common law, as well as any other non-competition, non-solicitation, or confidentiality provisions that the Grantee agreed to in the past, including those in the Grantee's Employee Confidentiality and Invention Agreement, each of which remains in full force and effect, or that the Grantee agrees to in the future.

The Grantee acknowledges that a breach by the Grantee of this Award Agreement will give rise to irreparable injury to Lilly and Covered Affiliates and money damages will not be adequate relief for such injury. As a result, the Grantee agrees that Lilly (including any third-party beneficiary) will be entitled to obtain equitable or injunctive relief without having to post any bond or other security to restrain or prohibit any such breach or threatened breach, in addition to any other remedies which may be available, including the recovery of monetary damages from the Grantee.

b. Remedies. If the Company determines that the Grantee has violated any applicable provisions of this Section 12, in addition to injunctive relief and damages, the Grantee agrees and covenants that: (i) the Award shall be immediately rescinded; (ii) the Grantee shall automatically forfeit any rights the Grantee may have with respect to the Award as of the date of such determination, including the rights to continue to be eligible to vest or receive a payment under the Award; and (iii) the foregoing remedies set forth in this Section 12 shall not be Lilly's exclusive remedies. Lilly reserves all other rights and remedies available to it at law or in equity.

In addition, the Company reserves the right to impose other requirements on the Award and any Shares acquired under the Plan, to the extent the Company determines it is necessary or advisable for legal or administrative reasons, and to require the Grantee to execute any additional agreements or undertakings that may be necessary to accomplish the foregoing. Without limitation to the foregoing, the Grantee agrees that the Performance Award and any benefits or proceeds the Grantee may receive hereunder shall be subject to forfeiture and/or repayment to the Company to the extent required to comply with any requirements imposed under Applicable Laws or any compensation recovery policy of the Company that reflects the provisions of Applicable Laws.

Section 13. Governing Law and Choice of Venue

The validity, construction, and enforcement of this Award Agreement shall be governed by the laws of the State of Indiana, U.S.A. without regard to laws that might cause other law to govern under applicable principles of conflict of laws or cause the application of substantive law of any jurisdiction other than Indiana. For purposes of litigating any dispute that arises under this Award Agreement, the parties hereby submit to and consent to the jurisdiction and venue of the State of Indiana, and agree that such litigation shall be conducted exclusively in the courts having appropriate subject matter jurisdiction in Marion County, Indiana, or the federal courts for the United States for the Southern District of Indiana, and no other courts, where this Award is granted and/or to be performed.

Section 14. Miscellaneous Provisions

a. Notices and Electronic Delivery and Participation. Any notice to be given by the Grantee or successor Grantee shall be in writing, and any notice shall be deemed to have been given or made only upon receipt thereof by the Corporate Secretary of Lilly at Lilly Corporate Center, Indianapolis, Indiana 46285, U.S.A. Any notice or communication by Lilly in writing shall be deemed to have been given in the case of the Grantee if mailed or delivered to the Grantee at any address specified in writing to Lilly by the Grantee and, in the case of any successor Grantee, at the address specified in writing to Lilly by the successor Grantee. In addition, Lilly may, in its sole discretion, decide to deliver any documents related to the Award and participation in the Plan by electronic means or request the Grantee's consent to participate in the Plan by electronic means. By accepting this Award, the Grantee hereby consents to receive such documents by electronic delivery and agrees to participate in the Plan through an on-line or electronic system established and maintained by Lilly or a third party designated by Lilly.

b. Language. The Grantee acknowledges that he or she is proficient in the English language or has consulted with an advisor who is sufficiently proficient in English, so as to allow the Grantee to understand the terms and conditions of this Award Agreement. If the Grantee has received this Award Agreement or any other document related to the Plan translated into a language other than English and if the meaning of the translated version is different from the English version, the English version will control.

c. Waiver. The waiver by Lilly of any provision of this Award Agreement at any time or for any purpose shall not operate as or be construed to be a waiver of the same or any other provision of this Award Agreement at any subsequent time or for any other purpose.

d. Severability and Section Headings. If one or more of the provisions of this Award Agreement shall be held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby and the invalid, illegal or unenforceable provisions shall be deemed null and void; however, to the extent permissible by law, any provisions which could be deemed null and void shall first be construed, interpreted or revised retroactively to permit this Award Agreement to be construed so as to foster the intent of this Award Agreement and the Plan.

   The section headings in this Award Agreement are for convenience of reference only and shall not be deemed a part of, or germane to, the interpretation or construction of this instrument.

e. No Advice Regarding Grant. Lilly is not providing any tax, legal or financial advice, nor is Lilly making any recommendations regarding the Grantee's participation in

the Plan or the Grantee's acquisition or sale of the underlying Shares. The Grantee should consult with his or her own personal tax, legal and financial advisors regarding the Grantee's participation in the Plan before taking any action related to the Plan.

Section 15. Compensation Recovery

At any time during the three years following the date on which the number of Performance Units subject to the Award has been determined under Section 2 above, the Company reserves the right to and, in appropriate cases, will seek restitution of all or part of any Shares that have been issued or cash that has been paid pursuant to this Award if:

a. (i) the number of Shares or the amount of the cash payment was calculated based, directly or indirectly, upon the achievement of financial results that were subsequently the subject of a restatement of all or a portion of the Company's financial statements; and

(ii) the Grantee engaged in intentional misconduct that caused or partially caused the need for such a restatement; and

(iii) the number of Shares or the amount of cash payment that would have been issued or paid to the Grantee had the financial results been properly reported would have been lower than the number of Shares actually issued or the amount of cash actually paid; or

b. the Grantee has been determined to have committed a material violation of law or Company policy or to have failed to properly manage or monitor the conduct of an employee who has committed a material violation of law or Company policy whereby, in either case, such misconduct causes significant harm to the company.

Furthermore, in the event the number of Shares issued or cash paid pursuant to this Award is determined to have been based on materially inaccurate financial statements or other Company performance measures or on calculation errors (without any misconduct on the part of the Grantee), the Company reserves the right to and, in appropriate cases, will (A) seek restitution of the Shares or cash paid pursuant to this Award to the extent that the number of Shares issued or the amount paid exceeded the number of Shares that would have been issued or the amount that would have been paid had the inaccuracy or error not occurred, or (B) issue additional Shares or make additional payment to the extent that the number of Shares issued or the amount paid was less than the correct amount.

This Section 15 is not intended to limit the Company's power to take such action as it deems necessary to remedy any misconduct, prevent its reoccurrence and, if appropriate, based on all relevant facts and circumstances, punish the wrongdoer in a manner it deems appropriate.

Section 16. Award Subject to Acknowledgement of Acceptance

Notwithstanding any provisions of this Award Agreement, the Award is subject to acknowledgement of acceptance by the Grantee prior to 4:00 PM (EDT) [•], through the website of Merrill Lynch, the Company's stock plan administrator. If the Grantee does not acknowledge acceptance of the Award prior to 4:00 PM (EDT) [•], the Award will be cancelled, subject to the Committee's discretion for unforeseen circumstances.

IN WITNESS WHEREOF, Lilly has caused this Award Agreement to be executed in Indianapolis, Indiana, by its proper officer.

ELI LILLY AND COMPANY

By: _____

Exhibit 10.2 Form of Shareholder Value Award under the 2002 Lilly Stock Plan (with non-compete)

Eli Lilly and Company
Shareholder Value Award Agreement
(for Executive Officers)

This Shareholder Value Award has been granted on [•] ("Grant Date") by Eli Lilly and Company, an Indiana corporation, with its principal offices in Indianapolis, Indiana ("Lilly" or the "Company"), to the Eligible Individual who has received this Shareholder Value Award Agreement (the "Grantee").

Lilly Stock Price Performance Levels:

	No Payout	Level 1	Level 2	Level 3	Level 4	Level 5	Level 6
Final Lilly Stock Price	< $246.99	$246.99 – $280.85	$280.86 - $314.71	$314.72 - $348.58	$348.59 - $382.45	$382.46 - $416.32	>$416.32
Percent of Target	**0%**	**50%**	**75%**	**100%**	**125%**	**150%**	**175%**

Performance Period: January 1, 2022 – December 31, 2024

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Section 1. Grant of Shareholder Value Award

Eli Lilly and Company, an Indiana corporation ("Lilly" or the "Company"), has granted to the Eligible Individual who has received this Shareholder Value Award Agreement (the "Grantee") a Performance-Based Award (the "Shareholder Value Award" or the "Award") with respect to the target number of shares of Lilly Common Stock (the "Shares") that the Grantee may view by logging on to the Merrill Lynch website at http://myequity.lilly.com (the "Target Number of Shares").

The Award is made pursuant to and subject to the terms and conditions set forth in the Amended and Restated 2002 Lilly Stock Plan (the "Plan") and to the terms and conditions set forth in this Shareholder Value Award Agreement, including all appendices, exhibits and addenda hereto (the "Award Agreement"). In the event of any conflict between the terms of the Plan and this Award Agreement, the terms of the Plan shall govern except with respect to the provisions described in Section 12 below (in which case, the terms of the Award Agreement shall govern).

Any capitalized terms used but not defined in this Award Agreement shall have the meanings set forth in the Plan.

Section 2. Vesting

As soon as reasonably practicable following the end of the Performance Period, the Committee shall determine the number of Shares that are eligible to vest which shall be equal to the product of (i) the Target Number of Shares, multiplied by (ii) the Percent of Target, where:

a. "Percent of Target" shall mean the percentage set forth in the Lilly Stock Price Performance Levels table set forth on the first page of this document representing the attainment level of the Final Lilly Stock Price measured against the performance goal attainment levels set forth in the table.

b. "Final Lilly Stock Price" shall mean the average of the closing price of a share of Lilly Common Stock on the New York Stock Exchange for each trading day in the last two months of the Performance Period, rounded to the nearest cent.

In the event the Grantee's Service is terminated prior to the end of the Performance Period for any reason or in any circumstance other than as described in Section 3 below, the Award shall be forfeited.

Section 3. Impact of Certain Employment Status Changes

Unless the Committee determines, in its sole discretion, that such treatment is not advisable after consideration of Applicable Laws, the number of Shares that are eligible to vest upon a change in employment status of the Grantee during the Performance Period will be as follows:

a. Leaves of Absence. In the event the Grantee is on an approved leave of absence during the Performance Period, the number of Shares eligible to vest shall be the number determined in accordance with Section 2 above.

b. Retirement; Death; Disability. Except as otherwise provided below (including Section 12), in the event the Grantee's Service is terminated (i) on or following the Retirement Vesting Date (A) due to the Grantee's Retirement or (B) due to the Grantee's Qualifying Termination (as defined below) on a date that the Grantee is eligible for Retirement, (ii) due to the Grantee's death, or (iii) by reason of Grantee's Disability, the number of Shares eligible to vest shall be the number determined in accordance with Section 2 above. For the avoidance of any doubt, the Award shall be forfeited in the event the Grantee's Service is terminated prior to the Retirement Vesting Date due to the Grantee's Retirement.

"Retirement" means retirement as a "retiree," which is a person who is (A) a retired employee under The Lilly Retirement Plan; (B) a retired employee under the retirement plan or program of an Affiliate; (C) a retired employee under a retirement program

specifically approved by the Committee; (D) required to retire under local law, to the extent authorized by the Company to address such local requirements or (E) otherwise determined to be a retired employee in the sole discretion of the Company.

"Retirement Vesting Date" means the date that is on or following December 31 immediately following the commencement of the Performance Period.

"Disability" for purposes of this Award Agreement means that the Grantee would qualify to receive benefit payments under the long-term disability plan or policy, as it may be amended from time to time, of the Company or the Affiliate that employs the Grantee (the "Employer"). If the Company or the Employer does not have a long-term disability plan or policy, "Disability" means that the Grantee is unable to carry out the responsibilities and functions of the position held by the Grantee by reason of any medically determined physical or mental impairment for a period of at least ninety (90) consecutive days as determined by the Company or Employer. The Grantee shall not be considered to have incurred a Disability unless he or she furnishes proof of such impairment sufficient to satisfy the Company as it determines in its sole discretion.

c. Qualifying Termination. Except as otherwise provided in section 3(b), in the event the Grantee's employment is subject to a Qualifying Termination (as defined below), the number of Shares eligible to vest shall be the number determined in accordance with Section 2 above, reduced proportionally for the portion of the total days during the Performance Period in which the Grantee was not in active Service.

For purposes of this Award Agreement, a "Qualifying Termination" means the termination of the Grantee's Service under any one of the following circumstances:

i. due to a plant closing or reduction in workforce (as defined below);

ii. as a result of the Grantee's failure to locate a position within the Company or an Affiliate following the placement of the Grantee on reallocation or medical reassignment in the United States (or equivalent as determined by the Committee).

"Plant closing" means the closing of a plant site or other corporate location that directly results in termination of the Grantee's Service.

"Reduction in workforce" means the elimination of a work group, functional or business unit or other broadly applicable reduction in job positions that directly results in termination of the Grantee's Service.

d. Demotions, Disciplinary Actions and Misconduct. The Committee may, in its sole discretion, cancel this Shareholder Value Award or reduce the number of Shares eligible to vest, prorated according to time or other measure as determined appropriate by the Committee, if during any portion of the Performance Period the Grantee has been (i) subject to disciplinary action by the Company or (ii) determined to have committed a material violation of law or Company policy or to have failed to properly manage or monitor the conduct of an employee who has committed a material violation of law or Company policy whereby, in either case, such conduct causes significant harm to the Company, as determined in the sole discretion of the Company.

The Committee's determination as to whether (1) a leave of absence or a transfer of employment between Lilly and an Affiliate or between Affiliates constitutes a termination of Service, (2) the Grantee's Service has been terminated by reason of Disability or Retirement, (3) the Grantee is eligible for Retirement, (4) the Grantee's Service has been terminated as a direct result of either a plant closing or a reduction in force, and (5) the Grantee's service has been terminated as a result of the failure to locate a position within the Company or an Affiliate following reallocation or medical reassignment shall be final and binding on the Grantee.

Section 4. Change in Control

The provisions of Section 13.2 of the Plan apply to this Award with the following modifications:

a. The only Change in Control event that shall result in a benefit under this Section 4 shall be the consummation of a merger, share exchange, or consolidation of the Company, as defined in Section 2.6(c) of the Plan (a "Transaction").

b. In the event of a Transaction that occurs prior to the end of the Performance Period, the Grantee will be credited with an award of Restricted Stock Units equal to the number of Shares eligible to vest, calculated in a manner consistent with Section 2, but the Final Lilly Stock Price shall be equal to the value of Shares established for the consideration to be paid to holders of Shares in the Transaction (the "Credited RSU Award"). The Credited RSU Award shall be eligible to vest on the last day of the Performance Period, subject to the Grantee's continued Service through the last day of the Performance Period, except as provided below:

   i. In the event that the Credited RSU Award is not converted, assumed, substituted, continued or replaced by a successor or surviving corporation, or a parent or subsidiary thereof, in connection with a Transaction, then immediately prior to the Transaction, the Credited RSU Award shall vest automatically in full.

   ii. In the event that the Credited RSU Award is converted, assumed, substituted, continued or replaced by a successor or surviving corporation, or a parent or subsidiary thereof, in connection with the Transaction and the Grantee is subject to a Covered Termination (as defined below) prior to the end of the Performance Period, then immediately as of the date of the Covered Termination, the Credited RSU Award shall vest automatically in full.

   For purposes of this Award Agreement, "Covered Termination" shall mean a termination of Service as described in Sections 3(b) and (c), Grantee's termination of Service without Cause or the Grantee's resignation for Good Reason. "Cause" and "Good Reason" shall have the meanings ascribed to them in the Eli Lilly and Company 2007 Change in Control Severance Pay Plan for Select Employees (as amended from time to time) or any successor plan or arrangement thereto.

c. If the Grantee is entitled to receive stock of the acquiring entity or successor to the Company as a result of the application of this Section 4, then references to Shares in this Award Agreement shall be read to mean stock of the successor or surviving corporation, or a parent or subsidiary thereof, as and when applicable.

Section 5. Settlement

a. Except as provided below, the Award shall be paid to the Grantee as soon as practicable, but in no event later than sixty (60) days, following the last day of the Performance Period.

b. If the Award vests pursuant to Section 4(b)(i), the Award shall be paid to the Grantee immediately prior to the Transaction, provided that if the Award is considered an item of non-qualified deferred compensation subject to Section 409A of the Code ("NQ Deferred Compensation") and the Transaction does not constitute a "change in control event," within the meaning of the U.S. Treasury Regulations (a "409A CIC"), then the Award shall be paid in cash (calculated based on the value of the Shares established for the consideration to be paid to holders of Shares in the Transaction) on the earliest of (i) the date that the Grantee experiences a "separation from service" within the meaning of Section 409A of the Code (a "Section 409A Separation"), provided that if the Grantee is a "specified employee" within the meaning of Section 409A of the Code as of the payment date, the Award shall instead be paid on the first day following the six (6) month anniversary of the Grantee's Section 409A Separation, (ii) the date of the Grantee's death and (iii) the date set forth in Section 5(a) above.

c. If the Award vests pursuant to Section 4(b)(ii), the Award shall be paid to the Grantee as soon as practicable, but in no event later than sixty (60) days, following the date the Grantee is subject to a Covered Termination, provided that if the Award is NQ Deferred Compensation, (i) the Award shall be paid within sixty (60) days following the date the Grantee experiences a Section 409A Separation, and (ii) if the Grantee is a "specified employee" within the meaning of Section 409A of the Code as of the payment date, the Award shall instead be paid on the earliest of (1) the first day following the six (6) month anniversary of the Grantee's Section 409A Separation, and (2) the date of the Grantee's death.

d. At the time of settlement provided in this Section 5, Lilly shall issue or transfer Shares or the cash equivalent, as contemplated under Section 5(e) below, to the Grantee. In the event the Grantee is entitled to a fractional Share, the fraction may be paid in cash or rounded, in the Committee's discretion.

e. At any time prior to the end of the Performance Period or until the Award is paid in accordance with this Section 5, the Committee may, if it so elects, determine to pay part or all of the Award in cash in lieu of issuing or transferring Shares. The amount of cash shall be calculated based on the Fair Market Value of the Shares on the last day of the Performance Period in the case of payment pursuant to Section 5(a) and on the date of payment in the case of a payment pursuant to Section 5(c).

f. In the event of the death of the Grantee, the payments described above shall be made to the successor of the Grantee.

Section 6. Rights of the Grantee

a. No Shareholder Rights. The Shareholder Value Award does not entitle the Grantee to any rights of a shareholder of Lilly until such time as the Shareholder Value Award is settled and Shares are issued or transferred to the Grantee.

b. No Trust; Grantee's Rights Unsecured. Neither this Award Agreement nor any action in accordance with this Award Agreement shall be construed to create a trust of any kind. The right of the Grantee to receive payments of cash or Shares pursuant to this Award Agreement shall be an unsecured claim against the general assets of the Company.

Section 7. Prohibition Against Transfer

The right of a Grantee to receive payments of Shares and/or cash under this Award may not be transferred except to a duly appointed guardian of the estate of the Grantee or to a successor of the Grantee by will or the applicable laws of descent and distribution and then only subject to the provisions of this Award Agreement. A Grantee may not assign, sell, pledge, or otherwise transfer Shares or cash to which he or she may be entitled hereunder prior to transfer or payment thereof to the Grantee, and any such attempted assignment, sale, pledge or transfer shall be void.

Section 8. Responsibility for Taxes

a. Regardless of any action Lilly and/or the Employer takes with respect to any or all income tax (including federal, state, local and non-U.S. tax), social insurance, payroll tax, fringe benefits tax, payment on account or other tax related items related to the Grantee's participation in the Plan and legally applicable to the Grantee ("Tax Related Items"), the Grantee acknowledges that the ultimate liability for all Tax Related Items is and remains the Grantee's responsibility and may exceed the amount actually withheld by Lilly or the Employer. The Grantee further acknowledges that Lilly and the Employer (i) make no representations or undertakings regarding the treatment of any Tax Related Items in connection with any aspect of the Award, including the grant of the Shareholder Value Award, the vesting of the Shareholder Value Award, the transfer and issuance of any Shares, the receipt of any cash payment pursuant to the Award, the receipt of any dividends and the sale of any Shares acquired pursuant to this Award; and (ii) do not commit to and are under no obligation to structure the terms of the grant or any aspect of the Award to reduce or eliminate the Grantee's liability for Tax Related Items or achieve any particular tax result. Furthermore, if the Grantee becomes subject to Tax Related Items in more than one jurisdiction, the Grantee acknowledges that the Company and/or the Employer (or former employer, as applicable) may be required to withhold or account for Tax Related Items in more than one jurisdiction.

b. Prior to the applicable taxable or tax withholding event, as applicable, the Grantee shall pay or make adequate arrangements satisfactory to Lilly and/or the Employer to satisfy all Tax Related Items.

   i. If the Shareholder Value Award is paid to the Grantee in cash in lieu of Shares, the Grantee authorizes the Company and/or the Employer, or their respective agents, at their discretion, to satisfy any obligation for Tax Related Items by withholding from the cash amount paid to the Grantee pursuant to the Award or from the Grantee's wages or other cash compensation paid to the Grantee by the Company and/or the Employer.

   ii. If the Shareholder Value Award is paid to the Grantee in Shares and the Grantee is not subject to the short-swing profit rules of Section 16(b) of the Exchange Act, the Grantee authorizes Lilly and/or the Employer, or their respective agents, at their discretion, to (A) withhold from the Grantee's wages or other cash compensation paid to the Grantee by the Company and/or the Employer, (B) arrange for the sale of Shares to be issued upon settlement of the Award (on the Grantee's behalf and at the Grantee's direction pursuant to this authorization or such other authorization as the Grantee may be required to provide to Lilly or its designated broker in order for such sale to be effectuated) and withhold from the proceeds of such sale, (C) withhold in Shares otherwise issuable to the Grantee pursuant to this Award, and/or (D) apply any other method of withholding determined by the Company and, to the extent required by Applicable Laws or the Plan, approved by the Committee.

   iii. If the Shareholder Value Award is paid to the Grantee in Shares and the Grantee is subject to the short-swing profit rules of Section 16(b) of the Exchange Act, Lilly

will withhold in Shares otherwise issuable to the Grantee pursuant to this Award, unless the use of such withholding method is prevented by Applicable Laws or has materially adverse accounting or tax consequences, in which case the withholding obligation for Tax Related Items may be satisfied by one or a combination of the methods set forth in Section 8(b)(ii)(A) and (B) above.

c. Depending on the withholding method, Lilly and/or the Employer may withhold or account for Tax Related Items by considering applicable statutory or other withholding rates, including minimum or maximum rates in the jurisdiction(s) applicable to the Grantee. In the event of over-withholding, the Grantee may receive a refund of any over-withheld amount in cash (without interest and without entitlement to the equivalent amount in Shares). If the obligation for Tax Related Items is satisfied by withholding Shares, for tax purposes, the Grantee will be deemed to have been issued the full number of Shares to which he or she is entitled pursuant to this Award, notwithstanding that a number of Shares are withheld to satisfy the obligation for Tax Related Items.

d. Lilly may refuse to deliver Shares or any cash payment to the Grantee if the Grantee fails to comply with the Grantee's obligation in connection with the Tax Related Items as described in this Section 8.

Section 9. Section 409A Compliance

To the extent applicable, it is intended that this Award comply with the requirements of Section 409A of the U.S. Internal Revenue Code of 1986, as amended and the Treasury Regulations and other guidance issued thereunder ("Section 409A") and this Award shall be interpreted and applied by the Committee in a manner consistent with this intent in order to avoid the imposition of any additional tax under Section 409A.

Section 10. Grantee's Acknowledgment

In accepting this Award, the Grantee acknowledges, understands and agrees that:

a. the Plan is established voluntarily by Lilly, it is discretionary in nature and it may be modified, amended, suspended or terminated by Lilly at any time, as provided in the Plan;

b. the Award is voluntary and occasional and does not create any contractual or other right to receive future Performance-Based Awards, or benefits in lieu thereof, even if Performance-Based Awards have been granted in the past;

c. all decisions with respect to future Performance-Based Awards or other awards, if any, will be at the sole discretion of the Committee;

d. the Grantee's participation in the Plan is voluntary;

e. the Award and any Shares subject to the Award are not intended to replace any pension rights or compensation;

f. the Award and any Shares subject to the Award, and the income and value of same, are not part of normal or expected compensation for any purpose, including but not limited to, calculating any severance, resignation, termination, redundancy, dismissal, end of service payments, bonuses, long-service awards, holiday pay, leave pay, pension or welfare or retirement benefits or similar mandatory payments;

g. neither the Award nor any provision of this Award Agreement, the Plan or the policies adopted pursuant to the Plan, confer upon the Grantee any right with respect to employment or continuation of current employment, and in the event that the Grantee is not an employee of Lilly or any subsidiary of Lilly, the Award shall not be interpreted to form an employment contract or relationship with Lilly or any Affiliate;

h. the future value of the underlying Shares is unknown, indeterminable and cannot be predicted with certainty;

i. no claim or entitlement to compensation or damages shall arise from forfeiture of the Award resulting from the Grantee ceasing to provide employment or other services to Lilly or the Employer (for any reason whatsoever, whether or not later found to be invalid or in breach of local labor laws in the jurisdiction where the Grantee is employed or the terms of Grantee's employment agreement, if any);

j. for purposes of the Award, the Grantee's employment will be considered terminated as of the date he or she is no longer actively providing services to the Company or an Affiliate and the Grantee's right, if any, to earn and be paid any portion of the Award after such termination of employment or services (regardless of the reason for such termination and whether or not such termination is later found to be invalid or in breach of employment laws in the jurisdiction where the Grantee is employed or the terms of the Grantee's employment agreement, if any) will be measured by the date the Grantee ceases to actively provide services and will not be extended by any notice period (e.g., active service would not include any contractual notice period or any period of "garden leave" or similar period mandated under employment laws in the jurisdiction where the Grantee is employed or the terms of the Grantee's employment agreement, if any); the Committee shall have the exclusive discretion to determine when the Grantee is no longer actively providing services for purposes of the Award (including whether the Grantee may still be considered to be actively providing services while on a leave of absence) in accordance with Section 409A;

k. unless otherwise provided in the Plan or by the Committee in its discretion, the Award and the benefits evidenced by this Award Agreement do not create any entitlement to have the Award or any such benefits transferred to, or assumed by, another company nor to be exchanged, cashed out or substituted for, in connection with any corporate transaction affecting the Shares;

l. the Grantee is solely responsible for investigating and complying with any laws applicable to him or her in connection with the Award; and

m. the Company has communicated share ownership guidelines that apply to the Grantee, and the Grantee understands and agrees that those guidelines may impact any Shares subject to, or issued pursuant to the Award.

Section 11. Data Privacy

a. <u>Data Collection and Usage</u>. The Company and the Employer may collect, process and use certain personal information about the Grantee, and persons closely associated with the Grantee, including, but not limited to, the Grantee's name, home address and telephone number, email address, date of birth, social insurance number, passport or other identification number (e.g., resident registration number), salary, nationality, job title, any shares of stock or directorships held in the Company, details of all Shareholder Value Awards or any other entitlement to shares of stock awarded, canceled, exercised, vested, unvested or outstanding in the Grantee's favor ("Data"), for the purposes of implementing, administering and managing the Plan. The legal basis, where required, for the processing of Data is the Grantee's consent. Where required under Applicable Laws, Data may also be disclosed to certain securities or other regulatory authorities where the Company's securities are listed or traded or regulatory filings are made and the legal basis, where required, for such disclosure are the Applicable Laws.

b. <u>Stock Plan Administration Service Providers</u>. The Company transfers Data to Bank of America Merrill Lynch and/or its affiliated companies ("Merrill Lynch"), an independent service provider, which is assisting the Company with the implementation, administration

and management of the Plan. In the future, the Company may select a different service provider and share Data with such other provider serving in a similar manner. The Grantee may be asked to agree on separate terms and data processing practices with the service provider, with such agreement being a condition to the ability to participate in the Plan. The Company may also transfer Data to KPMG, an independent service provider, which is also assisting the Company with certain aspects of the implementation, administration and management of the Plan. In the future, the Company may select a different service provider and share Data with such other provider serving in a similar manner.

c. *International Data Transfers. The Company and its service providers are based in the United States. The Grantee's country or jurisdiction may have different data privacy laws and protections than the United States. The Company's legal basis, where required, for the transfer of Data is Grantee's consent.*

d. *Data Retention. The Company will hold and use the Data only as long as is necessary to implement, administer and manage the Grantee's participation in the Plan, or as required to comply with legal or regulatory obligations, including under tax and security laws.*

e. *Voluntariness and Consequences of Consent Denial or Withdrawal. Participation in the Plan is voluntary and the Grantee is providing the consents herein on a purely voluntary basis. If the Grantee does not consent, or if the Grantee later seeks to revoke the Grantee's consent, the Grantee's salary from or employment and career with the Employer will not be affected; the only consequence of refusing or withdrawing the Grantee's consent is that the Company would not be able to grant this Award or other awards to the Grantee or administer or maintain such awards.*

f. *Data Subject Rights. The Grantee understands that data subject rights regarding the processing of Data vary depending on Applicable Laws and that, depending on where the Grantee is based and subject to the conditions set out in such Applicable Laws, the Grantee may have, without limitation, the right to (i) inquire whether and what kind of Data the Company holds about the Grantee and how it is processed, and to access or request copies of such Data, (ii) request the correction or supplementation of Data about the Grantee that is inaccurate, incomplete or out-of-date in light of the purposes underlying the processing, (iii) obtain the erasure of Data no longer necessary for the purposes underlying the processing, (iv) request the Company to restrict the processing of the Grantee's Data in certain situations where the Grantee feels its processing is inappropriate, (v) object, in certain circumstances, to the processing of Data for legitimate interests, and to (vi) request portability of the Grantee's Data that the Grantee has actively or passively provided to the Company or the Employer (which does not include data derived or inferred from the collected data), where the processing of such Data is based on consent or the Grantee's employment and is carried out by automated means. In case of concerns, the Grantee understands that he or she may also have the right to lodge a complaint with the competent local data protection authority. Further, to receive clarification of, or to exercise any of, the Grantee's rights, the Grantee understands that he or she should contact his or her local human resources representative.*

g. *Declaration of Consent. By accepting the Award and indicating consent via the Company's online acceptance procedure, the Grantee is declaring that he or she agrees with the data processing practices described herein and consents to the collection, processing and use of Data by the Company and the transfer of Data to the recipients mentioned above, including recipients located in countries which do not adduce an adequate level of protection from a European (or other non-U.S.) data protection law perspective, for the purposes described above.*

Section 12. Restrictive Covenants, Remedies, and Additional Terms and Conditions

a. Restrictive Covenants. In consideration of the Grantee's receipt of the Award from Lilly, the Grantee agrees that during the Grantee's employment with Lilly or an Affiliate that the Grantee provided services to or had access to confidential information concerning ("Covered Affiliate") and for twelve (12) months immediately following the end of the Grantee's employment (regardless of reason), the Grantee will not directly or indirectly, on a worldwide basis, engage in any of the following activities:

   i. Work for, advise, manage, act as an agent, employee or consultant for, or otherwise provide any services, in a Competitively-Sensitive Capacity, to: (a) any person or entity engaged in research, development, production, sale, or distribution of a product or service competitive with or substantially similar to any product or service in research, development or design, or manufactured, produced, sold, or distributed by Lilly or a Covered Affiliate; or (b) any person or entity that otherwise competes or intends to compete with Lilly or a Covered Affiliate.

   ii. Directly or indirectly solicit, urge, divert, induce, or seek to induce any of Lilly's (or Covered Affiliate's) independent contractors, subcontractors, business partners, distributors, brokers, consultants, sales representatives, customers, vendors, suppliers or any other person with whom Lilly or Covered Affiliate has a business relationship and with whom the Grantee interacted during the Grantee's employment with Lilly or Covered Affiliate to terminate their relationship with, or representation of, Lilly or Covered Affiliate or to cancel, withdraw, reduce, limit or in any manner modify any such person's business with, or representation of, Lilly or a Covered Affiliate.

The Grantee acknowledges and agrees that any Lilly Affiliate is an intended third-party beneficiary of this Award Agreement, which may be enforced by Lilly or any such Affiliate, either singularly or jointly.

For purposes of this Award Agreement, "Competitively-Sensitive Capacity" means: (A) the same or similar capacity or function in which the Grantee worked for Lilly or a Covered Affiliate at any time during the two (2) years immediately preceding the end of the Grantee's employment; (B) any officer, director, executive or senior management capacity or function; (C) any research and development capacity or function; (D) any sales management or business development management capacity or function; (E) any ownership capacity (except the Grantee may own as a passive investment up to 2% of any publicly traded securities); and/or (F) any other capacity or function in which there is a material risk that the Grantee likely would inevitably use or disclose trade secrets and/or confidential information Lilly or a Covered Affiliate. For purposes of clarity, if a competing business has multiple divisions, lines or segments, some of which are not competitive with the business of Lilly, including its Covered Affiliates, nothing in this Award Agreement will prohibit the Grantee from being employed by, working for or assisting only that division, line or segment of such competing business that is not competitive with the business of Lilly or a Covered Affiliate, provided the Grantee is not involved in a Competitively-Sensitive Capacity in the research, development, manufacture, provision or sale of any products that compete with any products of Lilly or a Covered Affiliate.

The Grantee and Lilly acknowledge and agree that the worldwide geographic scope of the foregoing covenants is reasonable and necessary given, among other things, that: (a) absent the restrictions, the Grantee could utilize Lilly's (or its Affiliates) trade secrets and/or confidential information and compete with Lilly or Affiliate from virtually anywhere; and (b) such scope is the only way for Lilly and its Affiliates to protect their trade secrets and confidential information. In the event the Grantee violates any of the

restrictive covenants contained herein, their duration will automatically be extended by the length of time during which the Grantee was in violation of any of the restrictive covenants.

The Grantee acknowledges and agrees that during the course of Grantee's employment with Lilly or a Covered Affiliate, the Grantee will become intimately familiar with confidential information and trade secrets key to its unique competitive advantage. The Grantee also acknowledges and agrees that Lilly's (and Covered Affiliate's) confidential information and trade secrets will retain continuing vitality throughout and beyond the one-year restricted period. And the Grantee acknowledges and agrees that, should the Grantee leave Lilly or Covered Affiliate and, near the Grantee's departure from Lilly or Covered Affiliate, work with another person or entity that engages in business activities similar to those of Lilly and/or Covered Affiliate, it would be highly likely, if not inevitable, that the Grantee would rely on confidential information of Lilly and/or Covered Affiliate in the course of the Grantee's work, either consciously or subconsciously, harming Lilly and any Covered Affiliates. For these and other reasons, the Grantee agrees that the restrictions above are reasonably necessary to protect Lilly's and its Covered Affiliate's legitimate business interests, and do so by creating a specific amount of time after the Grantee's employment ends during which the Grantee will not be able to engage or prepare to engage in the activities above.

The Grantee and Lilly further acknowledge and agree that if any particular covenant or provision is determined to be unreasonable or unenforceable for any reason, including, without limitation, the time period, geographic area, and/or scope of activity covered by any restrictive covenant, such covenant or provision will automatically be deemed reformed so that the contested covenant or provision will have the closest effect permitted by applicable law to the original form and will be given effect and enforced as so reformed to whatever extent would be reasonable and enforceable under applicable law. Any court interpreting any restrictive covenant provision of this Award Agreement will, if necessary, reform any such provision to make it enforceable under applicable law.

This Award Agreement is intended, among other things, to supplement (and not supersede) all applicable statutes protecting trade secrets and the duties the Grantee owes to Lilly and/or Covered Affiliates under the common law, as well as any other non-competition, non-solicitation, or confidentiality provisions that the Grantee agreed to in the past, including those in the Grantee's Employee Confidentiality and Invention Agreement, each of which remains in full force and effect, or that the Grantee agrees to in the future.

The Grantee acknowledges that a breach by the Grantee of this Award Agreement will give rise to irreparable injury to Lilly and Covered Affiliates and money damages will not be adequate relief for such injury. As a result, the Grantee agrees that Lilly (including any third party beneficiary) will be entitled to obtain equitable or injunctive relief without having to post any bond or other security to restrain or prohibit any such breach or threatened breach, in addition to any other remedies which may be available, including the recovery of monetary damages from the Grantee.

b. Remedies. If the Company determines that the Grantee has violated any applicable provisions of this Section 12, in addition to injunctive relief and damages, the Grantee agrees and covenants that: (i) the Award shall be immediately rescinded; (ii) the Grantee shall automatically forfeit any rights the Grantee may have with respect to the Award as of the date of such determination, including the rights to continue to be eligible to vest or receive a payment under the Award; and (iii) the foregoing remedies set forth in this Section 12 shall not be Lilly's exclusive remedies. Lilly reserves all other rights and remedies available to it at law or in equity.

In addition, the Company reserves the right to impose other requirements on the Award and any Shares acquired under the Plan, to the extent the Company determines it is necessary or advisable for legal or administrative reasons, and to require the Grantee to execute any additional agreements or undertakings that may be necessary to accomplish the foregoing. Without limitation to the foregoing, the Grantee agrees that the Shareholder Value Award and any benefits or proceeds the Grantee may receive hereunder shall be subject to forfeiture and/or repayment to the Company to the extent required to comply with any requirements imposed under Applicable Laws or any compensation recovery policy of the Company that reflects the provisions of Applicable Laws.

Section 13. Governing Law and Choice of Venue

The validity, construction, and enforcement of this Award Agreement shall be governed by the laws of the State of Indiana, U.S.A. without regard to laws that might cause other law to govern under applicable principles of conflict of laws or cause the application of substantive law of any jurisdiction other than Indiana. For purposes of litigating any dispute that arises under this Award Agreement, the parties hereby submit to and consent to the jurisdiction and venue of the State of Indiana, and agree that such litigation shall be conducted exclusively in the courts having appropriate subject matter jurisdiction in of Marion County, Indiana, or the federal courts for the United States for the Southern District of Indiana, and no other courts, where this Award is granted and/or to be performed.

Section 14. Miscellaneous Provisions

a. Notices and Electronic Delivery and Participation. Any notice to be given by the Grantee or successor Grantee shall be in writing, and any notice shall be deemed to have been given or made only upon receipt thereof by the Corporate Secretary of Lilly at Lilly Corporate Center, Indianapolis, Indiana 46285, U.S.A. Any notice or communication by Lilly in writing shall be deemed to have been given in the case of the Grantee if mailed or delivered to the Grantee at any address specified in writing to Lilly by the Grantee and, in the case of any successor Grantee, at the address specified in writing to Lilly by the successor Grantee. In addition, Lilly may, in its sole discretion, decide to deliver any documents related to the Award and participation in the Plan by electronic means or request the Grantee's consent to participate in the Plan by electronic means. By accepting this Award, the Grantee hereby consents to receive such documents by electronic delivery and agrees to participate in the Plan through an on-line or electronic system established and maintained by Lilly or a third party designated by Lilly.

b. Language. The Grantee acknowledges that he or she is proficient in the English language, or has consulted with an advisor who is sufficiently proficient in English, so as to allow the Grantee to understand the terms and conditions of this Award Agreement. If the Grantee has received this Award Agreement or any other document related to the Plan translated into a language other than English and if the meaning of the translated version is different than the English version, the English version will control.

c. Waiver. The waiver by Lilly of any provision of this Award Agreement at any time or for any purpose shall not operate as or be construed to be a waiver of the same or any other provision of this Award Agreement at any subsequent time or for any other purpose.

d. Severability and Section Headings. If one or more of the provisions of this Award Agreement shall be held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby and the invalid, illegal or unenforceable provisions shall be deemed null and void; however, to the extent permissible by law, any provisions which could be deemed null and void shall first be construed, interpreted or revised retroactively to

permit this Award Agreement to be construed so as to foster the intent of this Award Agreement and the Plan.

The section headings in this Award Agreement are for convenience of reference only and shall not be deemed a part of, or germane to, the interpretation or construction of this instrument.

e. No Advice Regarding Grant. Lilly is not providing any tax, legal or financial advice, nor is Lilly making any recommendations regarding the Grantee's participation in the Plan or the Grantee's acquisition or sale of the underlying Shares. The Grantee should consult with his or her own personal tax, legal and financial advisors regarding the Grantee's participation in the Plan before taking any action related to the Plan.

Section 15. Compensation Recovery

At any time during the three years following the date on which the number of Shares eligible to vest under this Award has been determined under Section 2 above, the Company reserves the right to and, in appropriate cases, will seek restitution of all or part of any Shares that have been issued or cash that has been paid pursuant to this Award if:

a. (i) the number of Shares or the amount of the cash payment was calculated based, directly or indirectly, upon the achievement of financial results that were subsequently the subject of a restatement of all or a portion of the Company's financial statements, (ii) the Grantee engaged in intentional misconduct that caused or partially caused the need for such a restatement; and (iii) the number of Shares or the amount of cash payment that would have been issued or paid to the Grantee had the financial results been properly reported would have been lower than the number of Shares actually issued or the amount of cash actually paid; or

b. the Grantee has been determined to have committed a material violation of law or Company policy or to have failed to properly manage or monitor the conduct of an employee who has committed a material violation of law or Company policy whereby, in either case, such misconduct causes significant harm to the company.

Furthermore, in the event the number of Shares issued or cash paid pursuant to this Award is determined to have been based on materially inaccurate financial statements or other Company performance measures or on calculation errors (without any misconduct on the part of the Grantee), the Company reserves the right to and, in appropriate cases, will (A) seek restitution of the Shares or cash paid pursuant to this Award to the extent that the number of Shares issued or the amount paid exceeded the number of Shares that would have been issued or the amount that would have been paid had the inaccuracy or error not occurred, or (B) issue additional Shares or make additional payment to the extent that the number of Shares issued or the amount paid was less than the correct amount.

This Section 15 is not intended to limit the Company's power to take such action as it deems necessary to remedy any misconduct, prevent its reoccurrence and, if appropriate, based on all relevant facts and circumstances, punish the wrongdoer in a manner it deems appropriate.

Section 16. Award Subject to Acknowledgement of Acceptance

Notwithstanding any provisions of this Award Agreement, the Award is subject to acknowledgement of acceptance by the Grantee prior to 4:00 PM (EDT) [•], through the website of Merrill Lynch, the Company's stock plan administrator. If the Grantee does not acknowledge acceptance of the Award prior to 4:00 PM (EDT) [•], the Award will be cancelled, subject to the Committee's discretion for unforeseen circumstances.

IN WITNESS WHEREOF, Lilly has caused this Award Agreement to be executed in Indianapolis, Indiana, by its proper officer.

ELI LILLY AND COMPANY

By: _____

Exhibit 10.3 Form of Relative Value Award under the 2002 Lilly Stock Plan (with non-compete)

Eli Lilly and Company
Relative Value Award Agreement
(for Executive Officers)

This Relative Value Award has been granted on [•] ("Grant Date") by Eli Lilly and Company, an Indiana corporation, with its principal offices in Indianapolis, Indiana ("Lilly" or the "Company"), to the Eligible Individual who has received this Relative Value Award Agreement (the "Grantee").

Lilly Relative Total Shareholder Return Performance Levels:

Absolute Percentage Point (pp) Difference from Peer Median TSR	≤ -30pp	-24.0 pp to -29.9 pp	-18.0 pp to -23.9 pp	-12.0 pp to -17.9 pp	-6.0 pp to -11.9 pp	-0.01 pp to -5.9 pp	**Peer Median to +5.9 pp**	+6.0 pp to +11.9 pp	+12.0 pp to +17.9 pp	+18.0 pp to +23.9 pp	+24.0 pp to +29.9 pp	≥ +30 pp
Payout Multiple	**0.0**	**0.25**	**0.40**	**0.55**	**0.70**	**0.85**	**1.00**	**1.15**	**1.30**	**1.45**	**1.60**	**1.75**

Performance Period: January 1, 2022 – December 31, 2024

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Section 1. Grant of Relative Value Award

Eli Lilly and Company, an Indiana corporation ("Lilly" or the "Company"), has granted to the Eligible Individual who has received this Relative Value Award Agreement (the "Grantee") a Performance-Based Award (the "Relative Value Award" or the "Award") with respect to the target number of shares of Lilly Common Stock (the "Shares") that the Grantee may view by logging on to the Merrill Lynch website at http://myequity.lilly.com. (the "Target Number of Shares").

The Award is made pursuant to and subject to the terms and conditions set forth in the Amended and Restated 2002 Lilly Stock Plan (the "Plan") and to the terms and conditions set forth in this Relative Value Award Agreement, including all appendices, exhibits and addenda hereto (the "Award Agreement"). In the event of any conflict between the terms of the Plan and this Award Agreement, the terms of the Plan shall govern except with respect to the provisions described in Section 12 below (in which case, the terms of the Award Agreement shall govern).

Any capitalized terms used but not defined in this Award Agreement shall have the meanings set forth in the Plan.

Section 2. Vesting

As soon as reasonably practicable following the end of the Performance Period, the Committee shall determine the number of Shares that are eligible to vest which shall be equal to the product of (i) the Target Number of Shares, multiplied by (ii) the Payout Multiple, where:

a. "Payout Multiple" shall mean the payout multiple set forth in the Lilly Relative Total Shareholder Return Performance Levels table set forth on the first page of this document, representing the attainment level of Lilly's rTSR, measured against the performance goal attainment levels set forth in the table.

b. "Final Lilly Stock Price" shall mean the average of the closing price of a share of Lilly Common Stock on the New York Stock Exchange for each trading day in the last two months of the Performance Period, rounded to the nearest cent.

c. "Total Shareholder Return" or "TSR" shall mean the quotient of (i) the Final Lilly Stock Price or Final Peer Stock Price, as applicable, minus the corresponding Beginning Stock Price, including the impact of Dividend reinvestment on each ex-dividend date, if any, paid by the applicable issuer during the Performance Period, divided by (ii) the corresponding Beginning Stock Price.

   The stock prices and cash dividend payments reflected in the calculation of TSR shall be adjusted to reflect stock splits during the Performance Period and dividends shall be assumed to be reinvested in the relevant issuer's shares for purposes of the calculation of TSR.

d. "Relative Total Shareholder Return" or "rTSR" shall mean the comparison between Lilly's TSR and the TSR of the Peer Group over the Performance Period, measured as the absolute percentage point difference in the performance of the Company's TSR compared to the Peer Group's median TSR.

e. "Beginning Stock Price" shall mean the average closing price of a share of Lilly Common Stock on the New York Stock Exchange or a share of each Peer Group company's stock, as applicable, for each trading day in the two month period immediately preceding the Performance Period, rounded to the nearest cent.

f. "Final Peer Stock Price" shall mean the average of the closing price of a share of each Peer Group company's stock, on Nasdaq, the New York Stock Exchange, or other market where an independent share price can be

determined, for each trading day in the last two months of the Performance Period, rounded to the nearest cent.

g. "Dividend" shall mean ordinary or extraordinary cash dividends paid by Lilly or a Peer Group company to its shareholders of record at any time during the Performance Period.

h. "Peer Group" shall mean all companies identified and most recently approved by the Committee as a member of the Company's Peer Group in effect as of the Grant Date. Companies that are members of the Peer Group at the beginning of the Performance Period that subsequently cease to be traded on a market where an independent share price can be determined shall be excluded from the Peer Group.

In the event the Grantee's Service is terminated prior to the end of the Performance Period for any reason or in any circumstance other than as described in Section 3 below, the Award shall be forfeited.

Section 3. Impact of Certain Employment Status Changes

Unless the Committee determines, in its sole discretion, that such treatment is not advisable after consideration of Applicable Laws, the number of Shares that are eligible to vest upon a change in employment status of the Grantee during the Performance Period will be as follows:

a. Leaves of Absence. In the event the Grantee is on an approved leave of absence during the Performance Period, the number of Shares eligible to vest shall be the number determined in accordance with Section 2 above.

b. Retirement; Death; Disability. Except as otherwise provided below (including Section 12), in the event the Grantee's Service is terminated (i) on or following the Retirement Vesting Date (A) due to the Grantee's Retirement or (B) due to the Grantee's Qualifying Termination (as defined below) on a date that the Grantee is eligible for Retirement, (ii) due to the Grantee's death, or (iii) by reason of Grantee's Disability, the number of Shares eligible to vest shall be the number determined in accordance with Section 2 above. For the avoidance of any doubt, the Award shall be forfeited in the event the Grantee's Service is terminated prior to the Retirement Vesting Date due to the Grantee's Retirement.

"Retirement" means retirement as a "retiree," which is a person who is (A) a retired employee under The Lilly Retirement Plan; (B) a retired employee under the retirement plan or program of an Affiliate; (C) a retired employee under a retirement program specifically approved by the Committee; (D) required to retire under local law, to the extent authorized by the Company to address such local requirements or (E) otherwise determined to be a retired employee in the sole discretion of the Company.

"Retirement Vesting Date" means the date that is on or following December 31 immediately following the commencement of the Performance Period.

"Disability" for purposes of this Award Agreement means that the Grantee would qualify to receive benefit payments under the long-term disability plan or policy, as it may be amended from time to time, of the Company or the Affiliate that employs the Grantee (the "Employer"). If the Company or the Employer does not have a long-term disability plan or policy, "Disability" means that the Grantee is unable to carry out the responsibilities and functions of the position held by the Grantee by reason of any medically determined physical or mental impairment for a period of at least ninety (90) consecutive days as determined by the Company or Employer. The Grantee shall not be considered to have incurred a Disability unless he or she furnishes proof of such impairment sufficient to satisfy the Company as it determines in its sole discretion.

c. Qualifying Termination. Except as otherwise provided in section 3(b), in the event the Grantee's employment is subject to a Qualifying Termination (as defined below), the number of Shares eligible to vest shall be the number determined in accordance with Section 2 above, reduced proportionally for the portion of the total days during the Performance Period in which the Grantee was not in active Service.

For purposes of this Award Agreement, a "Qualifying Termination" means the termination of the Grantee's Service under any one of the following circumstances:

i. due to a plant closing or reduction in workforce (as defined below);

ii. as a result of the Grantee's failure to locate a position within the Company or an Affiliate following the placement of the Grantee on reallocation or medical reassignment in the United States (or equivalent as determined by the Committee).

"Plant closing" means the closing of a plant site or other corporate location that directly results in termination of the Grantee's Service.

"Reduction in workforce" means the elimination of a work group, functional or business unit or other broadly applicable reduction in job positions that directly results in termination of the Grantee's Service.

d. Demotions, Disciplinary Actions and Misconduct. The Committee may, in its sole discretion, cancel this Relative Value Award or reduce the number of Shares eligible to vest, prorated according to time or other measure as determined appropriate by the Committee, if during any portion of the Performance Period the Grantee has been (i) subject to disciplinary action by the Company or (ii) determined to have committed a material violation of law or Company policy or to have failed to properly manage or monitor the conduct of an employee who has committed a material violation of law or Company policy whereby, in either case, such conduct causes significant harm to the Company, as determined in the sole discretion of the Company.

The Committee's determination as to whether (1) a leave of absence or a transfer of employment between Lilly and an Affiliate or between Affiliates constitutes a termination of Service, (2) the Grantee's Service has been terminated by reason of Disability or Retirement, (3) the Grantee is eligible for Retirement, (4) the Grantee's Service has been terminated as a result a direct result of either a plant closing or a reduction in force and (5) the Grantee's Service has been terminated of as a result of the failure to locate a position within the Company or an Affiliate following reallocation or medical reassignment shall be final and binding on the Grantee.

Section 4. Change in Control

The provisions of Section 13.2 of the Plan apply to this Award with the following modifications:

a. The only Change in Control event that shall result in a benefit under this Section 4 shall be the consummation of a merger, share exchange, or consolidation of the Company, as defined in Section 2.6(c) of the Plan (a "Transaction").

b. In the event of a Transaction that occurs prior to the end of the Performance Period, the Grantee will be credited with an award of Restricted Stock Units equal to the number of Shares eligible to vest, calculated in a manner consistent with Section 2, but the Final Lilly Stock Price shall be equal to the value of Shares established for the consideration to be paid to holders of Shares in the Transaction and the Final Peer Stock Price shall be equal to the closing price of a share of each Peer Group company's stock, on Nasdaq, the New York Stock Exchange, or other market where an independent share price can be determined, on the date the Transaction closes (or if such day is not a trading date, the first trading date immediately preceding such date) (the "Credited RSU Award"). The Credited RSU Award shall be eligible to vest on the last day of the Performance Period, subject to the Grantee's continued Service through the last day of the Performance Period, except as provided below:

   i. In the event that the Credited RSU Award is not converted, assumed, substituted, continued or replaced by a successor or surviving corporation, or a parent or subsidiary thereof, in connection with a Transaction, then immediately prior to the Transaction, the Credited RSU Award shall vest automatically in full.

   ii. In the event that the Credited RSU Award is converted, assumed, substituted, continued or replaced by a successor or surviving corporation, or a parent or subsidiary thereof, in connection with the Transaction and the Grantee is subject to a Covered Termination (as defined below) prior to the end of the Performance Period, then immediately as of the date of the Covered Termination, the Credited RSU Award shall vest automatically in full.

   For purposes of this Award Agreement, "Covered Termination" shall mean a termination of Service as described in Sections 3(b) and (c), Grantee's termination of Service without Cause or the Grantee's resignation for Good Reason. "Cause" and "Good Reason" shall have the meanings ascribed to them in the Eli Lilly and Company 2007 Change in Control Severance Pay Plan for Select Employees (as amended from time to time) or any successor plan or arrangement thereto.

c. If the Grantee is entitled to receive stock of the acquiring entity or successor to the Company as a result of the application of this Section 4, then references to Shares in this Award Agreement shall be read to mean stock of the successor or surviving corporation, or a parent or subsidiary thereof, as and when applicable.

Section 5. Settlement

a. Except as provided below, the Award shall be paid to the Grantee as soon as practicable, but in no event later than sixty (60) days, following the last day of the Performance Period.

b. If the Award vests pursuant to Section 4(b)(i), the Award shall be paid to the Grantee immediately prior to the Transaction, provided that if the Award is considered an item of non-qualified deferred compensation subject to Section 409A of the Code ("NQ Deferred Compensation") and the Transaction does not constitute a "change in control event," within the meaning of the U.S. Treasury Regulations (a "409A CIC"), then the Award shall be paid in cash (calculated based on the value of the Shares established for the consideration to be paid to holders of Shares in the Transaction) on the earliest of (i) the date that the Grantee experiences a "separation from service" within the meaning of

Section 409A of the Code (a "Section 409A Separation"), provided that if the Grantee is a "specified employee" within the meaning of Section 409A of the Code as of the payment date, the Award shall instead be paid on the first day following the six (6) month anniversary of the Grantee's Section 409A Separation, (ii) the date of the Grantee's death and (iii) the date set forth in Section 5(a) above.

c. If the Award vests pursuant to Section 4(b)(ii), the Award shall be paid to the Grantee as soon as practicable, but in no event later than sixty (60) days, following the date the Grantee is subject to a Covered Termination, provided that if the Award is NQ Deferred Compensation, (i) the Award shall be paid within sixty (60) days following the date the Grantee experiences a Section 409A Separation, and (ii) if the Grantee is a "specified employee" within the meaning of Section 409A of the Code as of the payment date, the Award shall instead be paid on the earliest of (1) the first day following the six (6) month anniversary of the Grantee's Section 409A Separation and (2) the date of the Grantee's death.

d. At the time of settlement provided in this Section 5, Lilly shall issue or transfer Shares or the cash equivalent, as contemplated under Section 5(e) below, to the Grantee. In the event the Grantee is entitled to a fractional Share, the fraction may be paid in cash or rounded, in the Committee's discretion.

e. At any time prior to the end of the Performance Period or until the Award is paid in accordance with this Section 5, the Committee may, if it so elects, determine to pay part or all of the Award in cash in lieu of issuing or transferring Shares. The amount of cash shall be calculated based on the Fair Market Value of the Shares on the last day of the Performance Period in the case of payment pursuant to Section 5(a) and on the date of payment in the case of a payment pursuant to Section 5(c).

f. In the event of the death of the Grantee, the payments described above shall be made to the successor of the Grantee.

Section 6. Rights of the Grantee

a. No Shareholder Rights. The Relative Value Award does not entitle the Grantee to any rights of a shareholder of Lilly until such time as the Relative Value Award is settled and Shares are issued or transferred to the Grantee.

b. No Trust; Grantee's Rights Unsecured. Neither this Award Agreement nor any action in accordance with this Award Agreement shall be construed to create a trust of any kind. The right of the Grantee to receive payments of cash or Shares pursuant to this Award Agreement shall be an unsecured claim against the general assets of the Company.

Section 7. Prohibition Against Transfer

The right of a Grantee to receive payments of Shares and/or cash under this Award may not be transferred except to a duly appointed guardian of the estate of the Grantee or to a successor of the Grantee by will or the applicable laws of descent and distribution and then only subject to the provisions of this Award Agreement. A Grantee may not assign, sell, pledge, or otherwise transfer Shares or cash to which he or she may be entitled hereunder prior to transfer or payment thereof to the Grantee, and any such attempted assignment, sale, pledge or transfer shall be void.

Section 8. Responsibility for Taxes

a. Regardless of any action Lilly and/or the Employer takes with respect to any or all income tax (including federal, state, local and non-U.S. tax), social insurance, payroll tax, fringe benefits tax, payment on account or other tax related items related to the Grantee's participation in the Plan and legally applicable to the Grantee ("Tax Related Items"), the Grantee acknowledges that the ultimate liability for all Tax Related Items is and remains the Grantee's responsibility and may exceed the amount actually withheld by Lilly or the Employer. The Grantee further acknowledges that Lilly and the Employer (i) make no representations or undertakings regarding the treatment of any Tax Related Items in connection with any aspect of the Award, including the grant of the Relative Value Award, the vesting of the Relative Value Award, the transfer and issuance of any Shares, the receipt of any cash payment pursuant to the Award, the receipt of any dividends and the sale of any Shares acquired pursuant to this Award; and (ii) do not commit to and are under no obligation to structure the terms of the grant or any aspect of the Award to reduce or eliminate the Grantee's liability for Tax Related Items or achieve any particular tax result. Furthermore, if the Grantee becomes subject to Tax Related Items in more than one jurisdiction, the Grantee acknowledges that the Company and/or the Employer (or former employer, as applicable) may be required to withhold or account for Tax Related Items in more than one jurisdiction.

b. Prior to the applicable taxable or tax withholding event, as applicable, the Grantee shall pay or make adequate arrangements satisfactory to Lilly and/or the Employer to satisfy all Tax Related Items.

   i. If the Relative Value Award is paid to the Grantee in cash in lieu of Shares, the Grantee authorizes the Company and/or the Employer, or their respective agents, at their discretion, to satisfy any obligation for Tax Related Items by withholding from the cash amount paid to the Grantee pursuant to the Award or from the Grantee's wages or other cash compensation paid to the Grantee by the Company and/or the Employer.

   ii. If the Relative Value Award is paid to the Grantee in Shares and the Grantee is not subject to the short-swing profit rules of Section 16(b) of the Exchange Act, the Grantee authorizes Lilly and/or the Employer, or their respective agents, at their discretion, to (A) withhold from the Grantee's wages or other cash compensation paid to the Grantee by the Company and/or the Employer, (B) arrange for the sale of Shares to be issued upon settlement of the Award (on the Grantee's behalf and at the Grantee's direction pursuant to this authorization or such other authorization as the Grantee may be required to provide to Lilly or its designated broker in order for such sale to be effectuated) and withhold from the proceeds of such sale, (C) withhold in Shares otherwise issuable to the Grantee pursuant to this Award, and/or (D) apply any other method of withholding determined by the Company and, to the extent required by Applicable Laws or the Plan, approved by the Committee.

   iii. If the Relative Value Award is paid to the Grantee in Shares and the Grantee is subject to the short-swing profit rules of Section 16(b) of the Exchange Act, Lilly will withhold in Shares otherwise issuable to the Grantee pursuant to this Award, unless the use of such withholding method is prevented by Applicable Laws or has materially adverse accounting or tax consequences, in which case the withholding obligation for Tax Related Items may be satisfied by one or a combination of the methods set forth in Section 8(b)(ii)(A) and (B) above.

c. Depending on the withholding method, Lilly and/or the Employer may withhold or account for Tax Related Items by considering applicable statutory or other withholding rates, including minimum or maximum rates in the jurisdiction(s) applicable to the Grantee. In the event of over-withholding, the Grantee may receive a refund of any over-

withheld amount in cash (without interest and without entitlement to the equivalent amount in Shares). If the obligation for Tax Related Items is satisfied by withholding Shares, for tax purposes, the Grantee will be deemed to have been issued the full number of Shares to which he or she is entitled pursuant to this Award, notwithstanding that a number of Shares are withheld to satisfy the obligation for Tax Related Items.

d. Lilly may refuse to deliver Shares or any cash payment to the Grantee if the Grantee fails to comply with the Grantee's obligation in connection with the Tax Related Items as described in this Section 8.

Section 9. Section 409A Compliance

To the extent applicable, it is intended that this Award comply with the requirements of Section 409A of the U.S. Internal Revenue Code of 1986, as amended and the Treasury Regulations and other guidance issued thereunder ("Section 409A") and this Award shall be interpreted and applied by the Committee in a manner consistent with this intent in order to avoid the imposition of any additional tax under Section 409A.

Section 10. Grantee's Acknowledgment

In accepting this Award, the Grantee acknowledges, understands and agrees that:

a. the Plan is established voluntarily by Lilly, it is discretionary in nature and it may be modified, amended, suspended or terminated by Lilly at any time, as provided in the Plan;

b. the Award is voluntary and occasional and does not create any contractual or other right to receive future Performance-Based Awards, or benefits in lieu thereof, even if Performance-Based Awards have been granted in the past;

c. all decisions with respect to future Performance-Based Awards or other awards, if any, will be at the sole discretion of the Committee;

d. the Grantee's participation in the Plan is voluntary;

e. the Award and any Shares subject to the Award are not intended to replace any pension rights or compensation;

f. the Award and any Shares subject to the Award, and the income and value of same, are not part of normal or expected compensation for any purpose, including but not limited to, calculating any severance, resignation, termination, redundancy, dismissal, end of service payments, bonuses, long-service awards, holiday pay, leave pay, pension or welfare or retirement benefits or similar mandatory payments;

g. unless otherwise agreed with Lilly, the Award and any Shares subject to the Award, and the income and value of same, are not granted as consideration for, or in connection with, the service the Grantee may provide as a director of an Affiliate;

h. neither the Award nor any provision of this Award Agreement, the Plan or the policies adopted pursuant to the Plan, confer upon the Grantee any right with respect to employment or continuation of current employment, and in the event that the Grantee is not an employee of Lilly or any subsidiary of Lilly, the Award shall not be interpreted to form an employment contract or relationship with Lilly or any Affiliate;

i. the future value of the underlying Shares is unknown, indeterminable and cannot be predicted with certainty;

j. no claim or entitlement to compensation or damages shall arise from forfeiture of the Award resulting from the Grantee ceasing to provide employment or other services to Lilly or the Employer (for any reason whatsoever, whether or not later found to be invalid or in

breach of local labor laws in the jurisdiction where the Grantee is employed or the terms of Grantee's employment agreement, if any);

k. for purposes of the Award, the Grantee's employment will be considered terminated as of the date he or she is no longer actively providing services to the Company or an Affiliate and the Grantee's right, if any, to earn and be paid any portion of the Award after such termination of employment or services (regardless of the reason for such termination and whether or not such termination is later found to be invalid or in breach of employment laws in the jurisdiction where the Grantee is employed or the terms of the Grantee's employment agreement, if any) will be measured by the date the Grantee ceases to actively provide services and will not be extended by any notice period (e.g., active service would not include any contractual notice period or any period of "garden leave" or similar period mandated under employment laws in the jurisdiction where the Grantee is employed or the terms of the Grantee's employment agreement, if any); the Committee shall have the exclusive discretion to determine when the Grantee is no longer actively providing services for purposes of the Award (including whether the Grantee may still be considered to be actively providing services while on a leave of absence) in accordance with Section 409A;

l. unless otherwise provided in the Plan or by the Committee in its discretion, the Award and the benefits evidenced by this Award Agreement do not create any entitlement to have the Award or any such benefits transferred to, or assumed by, another company nor to be exchanged, cashed out or substituted for, in connection with any corporate transaction affecting the Shares;

m. the Grantee is solely responsible for investigating and complying with any laws applicable to him or her in connection with the Award; and

n. neither the Company, the Employer nor any Affiliate shall be liable for any foreign exchange rate fluctuation between the Grantee's local currency and the United States Dollar that may affect the value of the Award or any amounts due to the Grantee pursuant to the settlement of the Award or the subsequent sale of any Shares acquired upon settlement.

Section 11. Data Privacy

a. Data Collection and Usage. The Company and the Employer may collect, process and use certain personal information about the Grantee, and persons closely associated with the Grantee, including, but not limited to, the Grantee's name, home address and telephone number, email address, date of birth, social insurance number, passport or other identification number (e.g., resident registration number), salary, nationality, job title, any shares of stock or directorships held in the Company, details of all Relative Value Awards or any other entitlement to shares of stock awarded, canceled, exercised, vested, unvested or outstanding in the Grantee's favor ("Data"), for the purposes of implementing, administering and managing the Plan. The legal basis, where required, for the processing of Data is the Grantee's consent. Where required under Applicable Laws, Data may also be disclosed to certain securities or other regulatory authorities where the Company's securities are listed or traded or regulatory filings are made and the legal basis, where required, for such disclosure are the Applicable Laws.

b. Stock Plan Administration Service Providers. The Company transfers Data to Bank of America Merrill Lynch and/or its affiliated companies ("Merrill Lynch"), an independent service provider, which is assisting the Company with the implementation, administration and management of the Plan. In the future, the Company may select a different service provider and share Data with such other provider serving in a similar manner. The Grantee may be asked to agree on separate terms and data processing practices with the service provider, with such agreement being a condition to the ability to participate in the Plan. The

Company may also transfer Data to KPMG, an independent service provider, which is also assisting the Company with certain aspects of the implementation, administration and management of the Plan. In the future, the Company may select a different service provider and share Data with such other provider serving in a similar manner.

c. *International Data Transfers. The Company and its service providers are based in the United States. The Grantee's country or jurisdiction may have different data privacy laws and protections than the United States. The Company's legal basis, where required, for the transfer of Data is Grantee's consent.*

d. *Data Retention. The Company will hold and use the Data only as long as is necessary to implement, administer and manage the Grantee's participation in the Plan, or as required to comply with legal or regulatory obligations, including under tax and security laws.*

e. *Voluntariness and Consequences of Consent Denial or Withdrawal. Participation in the Plan is voluntary and the Grantee is providing the consents herein on a purely voluntary basis. If the Grantee does not consent, or if the Grantee later seeks to revoke the Grantee's consent, the Grantee's salary from or employment and career with the Employer will not be affected; the only consequence of refusing or withdrawing the Grantee's consent is that the Company would not be able to grant this Award or other awards to the Grantee or administer or maintain such awards.*

f. *Data Subject Rights. The Grantee understands that data subject rights regarding the processing of Data vary depending on Applicable Laws and that, depending on where the Grantee is based and subject to the conditions set out in such Applicable Laws, the Grantee may have, without limitation, the right to (i) inquire whether and what kind of Data the Company holds about the Grantee and how it is processed, and to access or request copies of such Data, (ii) request the correction or supplementation of Data about the Grantee that is inaccurate, incomplete or out-of-date in light of the purposes underlying the processing, (iii) obtain the erasure of Data no longer necessary for the purposes underlying the processing, (iv) request the Company to restrict the processing of the Grantee's Data in certain situations where the Grantee feels its processing is inappropriate, (v) object, in certain circumstances, to the processing of Data for legitimate interests, and to (vi) request portability of the Grantee's Data that the Grantee has actively or passively provided to the Company or the Employer (which does not include data derived or inferred from the collected data), where the processing of such Data is based on consent or the Grantee's employment and is carried out by automated means. In case of concerns, the Grantee understands that he or she may also have the right to lodge a complaint with the competent local data protection authority. Further, to receive clarification of, or to exercise any of, the Grantee's rights, the Grantee understands that he or she should contact his or her local human resources representative.*

g. *Declaration of Consent. By accepting the Award and indicating consent via the Company's online acceptance procedure, the Grantee is declaring that he or she agrees with the data processing practices described herein and consents to the collection, processing and use of Data by the Company and the transfer of Data to the recipients mentioned above, including recipients located in countries which do not adduce an adequate level of protection from a European (or other non-U.S.) data protection law perspective, for the purposes described above.*

Section 12. Restrictive Covenants, Remedies, and Additional Terms and Conditions

a. Restrictive Covenants. In consideration of the Grantee's receipt of the Award from Lilly, the Grantee agrees that during the Grantee's employment with Lilly or an Affiliate that the Grantee provided services to or had access to confidential information concerning ("Covered Affiliate") and for twelve (12) months immediately following the end of the Grantee's employment (regardless of reason), the Grantee will not directly or indirectly, on a worldwide basis, engage in any of the following activities:

i. Work for, advise, manage, act as an agent, employee or consultant for, or otherwise provide any services, in a Competitively-Sensitive Capacity, to: (a) any person or entity engaged in research, development, production, sale, or distribution of a product or service competitive with or substantially similar to any product or service in research, development or design, or manufactured, produced, sold, or distributed by Lilly or a Covered Affiliate; or (b) any person or entity that otherwise competes or intends to compete with Lilly or a Covered Affiliate.

ii. Directly or indirectly solicit, urge, divert, induce, or seek to induce any of Lilly's (or Covered Affiliate's) independent contractors, subcontractors, business partners, distributors, brokers, consultants, sales representatives, customers, vendors, suppliers or any other person with whom Lilly or Covered Affiliate has a business relationship and with whom the Grantee interacted during the Grantee's employment with Lilly or Covered Affiliate to terminate their relationship with, or representation of, Lilly or Covered Affiliate or to cancel, withdraw, reduce, limit or in any manner modify any such person's business with, or representation of, Lilly or a Covered Affiliate.

The Grantee acknowledges and agrees that any Lilly Affiliate is an intended third-party beneficiary of this Award Agreement, which may be enforced by Lilly or any such Affiliate, either singularly or jointly.

For purposes of this Award Agreement, "Competively-Sensitive Capacity" means: (A) the same or similar capacity or function in which the Grantee worked for Lilly or a Covered Affiliate at any time during the two (2) years immediately preceding the end of the Grantee's employment; (B) any officer, director, executive or senior management capacity or function; (C) any research and development capacity or function; (D) any sales management or business development management capacity or function; (E) any ownership capacity (except the Grantee may own as a passive investment up to 2% of any publicly traded securities); and/or (F) any other capacity or function in which there is a material risk that the Grantee likely would inevitably use or disclose trade secrets and/or confidential information Lilly or a Covered Affiliate. For purposes of clarity, if a competing business has multiple divisions, lines or segments, some of which are not competitive with the business of Lilly, including its Covered Affiliates, nothing in this Award Agreement will prohibit the Grantee from being employed by, working for or assisting only that division, line or segment of such competing business that is not competitive with the business of Lilly or a Covered Affiliate, provided the Grantee is not involved in a Competitively-Sensitive Capacity in the research, development, manufacture, provision or sale of any products that compete with any products of Lilly or a Covered Affiliate.

The Grantee and Lilly acknowledge and agree that the worldwide geographic scope of the foregoing covenants is reasonable and necessary given, among other things, that: (a) absent the restrictions, the Grantee could utilize Lilly's (or its Affiliates) trade secrets and/or confidential information and compete with Lilly or Affiliate from virtually anywhere; and (b) such scope is the only way for Lilly and its Affiliates to protect their trade secrets and confidential information. In the event the Grantee violates any of the restrictive covenants contained herein, their duration will automatically be extended by

the length of time during which the Grantee was in violation of any of the restrictive covenants.

The Grantee acknowledges and agrees that during the course of the Grantee's employment with Lilly or a Covered Affiliate, the Grantee will become intimately familiar with confidential information and trade secrets key to its unique competitive advantage. The Grantee also acknowledges and agrees that Lilly's (and Covered Affiliate's) confidential information and trade secrets will retain continuing vitality throughout and beyond the one-year restricted period. And the Grantee acknowledges and agrees that, should the Grantee leave Lilly or Covered Affiliate and, near the Grantee's departure from Lilly or Covered Affiliate, work with another person or entity that engages in business activities similar to those of Lilly and/or Covered Affiliate, it would be highly likely, if not inevitable, that the Grantee would rely on confidential information of Lilly and/or Covered Affiliate in the course of the Grantee's work, either consciously or subconsciously, harming Lilly and any Covered Affiliates. For these and other reasons, the Grantee agrees that the restrictions above are reasonably necessary to protect Lilly's and its Covered Affiliate's legitimate business interests, and do so by creating a specific amount of time after the Grantee's employment ends during which the Grantee will not be able to engage or prepare to engage in the activities above.

The Grantee and Lilly further acknowledge and agree that if any particular covenant or provision is determined to be unreasonable or unenforceable for any reason, including, without limitation, the time period, geographic area, and/or scope of activity covered by any restrictive covenant, such covenant or provision will automatically be deemed reformed so that the contested covenant or provision will have the closest effect permitted by applicable law to the original form and will be given effect and enforced as so reformed to whatever extent would be reasonable and enforceable under applicable law. Any court interpreting any restrictive covenant provision of this Award Agreement will, if necessary, reform any such provision to make it enforceable under applicable law.

This Award Agreement is intended, among other things, to supplement (and not supersede) all applicable statutes protecting trade secrets and the duties the Grantee owes to Lilly and/or Covered Affiliates under the common law, as well as any other non-competition, non-solicitation, or confidentiality provisions that the Grantee agreed to in the past, including those in the Grantee's Employee Confidentiality and Invention Agreement, each of which remains in full force and effect, or that the Grantee agrees to in the future.

The Grantee acknowledges that a breach by the Grantee of this Award Agreement will give rise to irreparable injury to Lilly and Covered Affiliates and money damages will not be adequate relief for such injury. As a result, the Grantee agrees that Lilly (including any third party beneficiary) will be entitled to obtain equitable or injunctive relief without having to post any bond or other security to restrain or prohibit any such breach or threatened breach, in addition to any other remedies which may be available, including the recovery of monetary damages from the Grantee.

b. Remedies. If the Company determines that the Grantee has violated any applicable provisions of this Section 12, in addition to injunctive relief and damages, the Grantee agrees and covenants that: (i) the Award shall be immediately rescinded; (ii) the Grantee shall automatically forfeit any rights the Grantee may have with respect to the Award as of the date of such determination, including the rights to continue to be eligible to vest or receive a payment under the Award; and (iii) the foregoing remedies set forth in this Section 12 shall not be Lilly's exclusive remedies. Lilly reserves all other rights and remedies available to it at law or in equity.

c. Country-Specific Conditions. In addition, the Award shall be subject to any special terms and conditions set forth in any Appendix to this Award Agreement for the Grantee's

country. Moreover, if the Grantee relocates to one of the countries included in the Appendix, the special terms and conditions for such country will apply to the Grantee, to the extent the Company determines that the application of such terms and conditions is necessary or advisable for legal or administrative reasons. The Appendix constitutes part of this Award Agreement.

d. Insider Trading / Market Abuse Laws. The Grantee may be subject to insider trading restrictions and/or market abuse laws in applicable jurisdictions, including but not limited to the United States and the Grantee's country of residence, which may affect the Grantee's ability to directly or indirectly, for the Grantee or for a third party, acquire or sell, or attempt to sell, or otherwise dispose of Shares, rights to acquire Shares (e.g., the Relative Value Award) under the Plan during such times as the Grantee is considered to have "inside information" regarding the Company (as determined under the laws or regulations in the applicable jurisdictions). Any restrictions under these laws or regulations are separate from and in addition to any restrictions that may be imposed under any applicable Company insider trading policy. The Grantee acknowledges that it is his or her responsibility to comply with any applicable restrictions, and the Grantee should consult with his or her personal legal advisor on this matter.

e. Imposition of Other Requirements. The Company reserves the right to impose other requirements on the Award and any Shares acquired under the Plan, to the extent the Company determines it is necessary or advisable for legal or administrative reasons, and to require the Grantee to execute any additional agreements or undertakings that may be necessary to accomplish the foregoing. Without limitation to the foregoing, the Grantee agrees that the Relative Value Award and any benefits or proceeds the Grantee may receive hereunder shall be subject to forfeiture and/or repayment to the Company to the extent required to comply with any requirements imposed under Applicable Laws or any compensation recovery policy of the Company that reflects the provisions of Applicable Laws.

Section 13. Governing Law and Choice of Venue

The validity, construction, and enforcement of this Award Agreement shall be governed by the laws of the State of Indiana, U.S.A. without regard to laws that might cause other law to govern under applicable principles of conflict of laws or cause the application of substantive law of any jurisdiction other than Indiana. For purposes of litigating any dispute that arises under this Award Agreement, the parties hereby submit to and consent to the jurisdiction and venue of the State of Indiana, and agree that such litigation shall be conducted exclusively in the courts having appropriate subject matter jurisdiction in Marion County, Indiana, or the federal courts for the United States for the Southern District of Indiana, and no other courts, where this Award is granted and/or to be performed.

Section 14. Miscellaneous Provisions

a. Notices and Electronic Delivery and Participation. Any notice to be given by the Grantee or successor Grantee shall be in writing, and any notice shall be deemed to have been given or made only upon receipt thereof by the Corporate Secretary of Lilly at Lilly Corporate Center, Indianapolis, Indiana 46285, U.S.A. Any notice or communication by Lilly in writing shall be deemed to have been given in the case of the Grantee if mailed or delivered to the Grantee at any address specified in writing to Lilly by the Grantee and, in the case of any successor Grantee, at the address specified in writing to Lilly by the successor Grantee. In addition, Lilly may, in its sole discretion, decide to deliver any documents related to the Award and participation in the Plan by electronic means or request the Grantee's consent to participate in the Plan by electronic means. By accepting this Award, the Grantee hereby consents to receive such documents by electronic delivery and agrees to participate in the Plan through an on-line or electronic system established and maintained by Lilly or a third party designated by Lilly.

b. Language. The Grantee acknowledges that he or she is proficient in the English language, or has consulted with an advisor who is sufficiently proficient in English, so as to allow the Grantee to understand the terms and conditions of this Award Agreement. If the Grantee has received this Award Agreement or any other document related to the Plan translated into a language other than English and if the meaning of the translated version is different than the English version, the English version will control.

c. Waiver. The waiver by Lilly of any provision of this Award Agreement at any time or for any purpose shall not operate as or be construed to be a waiver of the same or any other provision of this Award Agreement at any subsequent time or for any other purpose.

d. Severability and Section Headings. If one or more of the provisions of this Award Agreement shall be held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby and the invalid, illegal or unenforceable provisions shall be deemed null and void; however, to the extent permissible by law, any provisions which could be deemed null and void shall first be construed, interpreted or revised retroactively to permit this Award Agreement to be construed so as to foster the intent of this Award Agreement and the Plan.

   The section headings in this Award Agreement are for convenience of reference only and shall not be deemed a part of, or germane to, the interpretation or construction of this instrument.

e. No Advice Regarding Grant. Lilly is not providing any tax, legal or financial advice, nor is Lilly making any recommendations regarding the Grantee's participation in the Plan or the Grantee's acquisition or sale of the underlying Shares. The Grantee should consult with his or her own personal tax, legal and financial advisors regarding the Grantee's participation in the Plan before taking any action related to the Plan.

Section 15. Compensation Recovery

At any time during the three years following the date on which the number of Shares eligible to vest under this Award has been determined under Section 2 above, the Company reserves the right to and, in appropriate cases, will seek restitution of all or part of any Shares that have been issued or cash that has been paid pursuant to this Award if:

a. (i) the number of Shares or the amount of the cash payment was calculated based, directly or indirectly, upon the achievement of financial results that were subsequently the subject of a restatement of all or a portion of the Company's financial statements, (ii) the Grantee engaged in intentional misconduct that caused or partially caused the need for such a restatement; and (iii) the number of Shares or the amount of cash payment that would have been issued or paid to the Grantee had the financial results been properly reported would have been lower than the number of Shares actually issued or the amount of cash actually paid; or

b. the Grantee has been determined to have committed a material violation of law or Company policy or to have failed to properly manage or monitor the conduct of an employee who has committed a material violation of law or Company policy whereby, in either case, such misconduct causes significant harm to the company.

Furthermore, in the event the number of Shares issued or cash paid pursuant to this Award is determined to have been based on materially inaccurate financial statements or other Company performance measures or on calculation errors (without any misconduct on the part of the Grantee), the Company reserves the right to and, in appropriate cases, will (A) seek restitution of the Shares or cash paid pursuant to this Award to the extent that the number of Shares issued or the amount paid exceeded the number of Shares that would have been issued or the amount that would have been paid had the inaccuracy or error not occurred, or (B) issue additional Shares or make additional payment to the extent that the number of Shares issued or the amount paid was less than the correct amount.

This Section 15 is not intended to limit the Company's power to take such action as it deems necessary to remedy any misconduct, prevent its reoccurrence and, if appropriate, based on all relevant facts and circumstances, punish the wrongdoer in a manner it deems appropriate.

Section 16. Award Subject to Acknowledgement of Acceptance

Notwithstanding any provisions of this Award Agreement, the Award is subject to acknowledgement of acceptance by the Grantee prior to 4:00 PM (EDT) [•], through the website of Merrill Lynch, the Company's stock plan administrator. If the Grantee does not acknowledge acceptance of the Award prior to 4:00 PM (EDT) [•], the Award will be cancelled, subject to the Committee's discretion for unforeseen circumstances.

IN WITNESS WHEREOF, Lilly has caused this Award Agreement to be executed in Indianapolis, Indiana, by its proper officer.

ELI LILLY AND COMPANY

By: _____

EXHIBIT 31.1 Rule 13a-14(a) Certification of David A. Ricks, Chair, President, and Chief Executive Officer

CERTIFICATIONS

I, David A. Ricks, Chair, President, and Chief Executive Officer, certify that:

1. I have reviewed this report on Form 10-Q of Eli Lilly and Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s Board of Directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize, and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: November 1, 2022

By: /s/ David A. Ricks
David A. Ricks
Chair, President, and Chief Executive Officer

EXHIBIT 31.2 Rule 13a-14(a) Certification of Anat Ashkenazi, Executive Vice President and Chief Financial Officer

CERTIFICATIONS

I, Anat Ashkenazi, Executive Vice President and Chief Financial Officer, certify that:

1. I have reviewed this report on Form 10-Q of Eli Lilly and Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s Board of Directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize, and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: November 1, 2022

By: /s/ Anat Ashkenazi
Anat Ashkenazi
Executive Vice President and Chief Financial Officer

EXHIBIT 32. Section 1350 Certification

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), each of the undersigned officers of Eli Lilly and Company, an Indiana corporation (the "Company"), does hereby certify that, to the best of their knowledge:

The Quarterly Report on Form 10-Q for the quarter ended September 30, 2022 (the "Form 10-Q") of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 1, 2022

/s/ David A. Ricks
David A. Ricks
Chair, President, and Chief Executive Officer

Date: November 1, 2022

/s/ Anat Ashkenazi
Anat Ashkenazi
Executive Vice President and Chief Financial Officer